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Promoting the Values of Local Government

2004 was an historic year for the world's cities. The creation of United Cities and Local Governments has given rise to the first united voice for local governments within the international community. Dedicated to promoting the values, objectives, and interests of cities and local governments across the globe, United Cities and Local Governments provides a platform for a stronger role for cities in international debates and global partnerships such as the Cities Alliance.

On behalf of United Cities and Local Governments, we are proud to present the *2004 Annual Report* of the Cities Alliance. Five years ago our founding organisations helped establish the Cities Alliance. While playing an active role in its governance, the voice and role of local authorities has steadily grown stronger in the Alliance, which is already changing the way international development agencies engage with cities and local governments.

We are committed to the Cities Alliance not only because we share a common vision, but because we believe that this partnership is helping us to promote the developmental role of local governments not just in implementing policies, but also in defining them. The international system is increasingly recognising the need to work with all actors in this process.

With its forward-looking approach and clear focus, the Cities Alliance is playing a crucial role by helping cities of all sizes obtain more coherent support from international development agencies. By focusing on the future of cities and promoting the positive impacts of urbanisation, the Cities Alliance is helping mayors anticipate and prepare for growth, develop sustainable financing strategies, and attract the long-term capital investments so critical for the provision of infrastructure and other services.

As mayors we have first-hand knowledge of the plight of slum dwellers. We also have the primary responsibility for improving their living conditions. Indeed, promoting a range of inclusive policies to improve the lives of slum dwellers is crucial for the achievement of all the Millennium Development Goals. This is why our members are committed to moving beyond sectoral approaches to development by introducing comprehensive, citywide programmes that create opportunities for all citizens.

We look forward to strengthening our relationship with the Cities Alliance and its members and to working in partnership to achieve the Millennium Development Goals.



Bertrand Delanoë
Mayor of Paris



Smangaliso Mkhathshwa
Mayor of Tshwane



Residential housing unit, Chengdu, Sichuan, China. © O.T. Luong/Terragalleria.com

Unleashing the Potential of Cities



The Cities Alliance was established to improve the efficiency and scale up the impacts of urban development cooperation and urban investment. From the outset, Alliance members recognised that this meant changing how international development agencies work with cities, including creating a new coherence of effort to reduce urban poverty. By supporting cities in their development of citywide strategies that link their economic growth and poverty reduction objectives, the Alliance is helping to overcome the limitations of sectoral approaches to development.

The Alliance has made considerable progress on several fronts. This is reflected in the endorsement of the Alliance's Cities Without Slums action plan by the world's heads of state in the United Nations Millennium Declaration, subsequently incorporated in the Millennium Development Goals (MDGs). Equally important has been the response of a growing number of cities and countries that are adopting comprehensive slum upgrading programmes, setting development targets, undertaking reforms to prevent the growth of new slums, and leveraging public and private resources to improve the lives of slum dwellers.

Perhaps the greatest challenge still facing cities and the Cities Alliance alike is that so few countries and development agencies have adopted policies and strategies to promote the positive impacts of urbanisation. The need for this is both urgent and long term. Many cities suffer from the effects of genuinely bad national and local urban policies, including misguided incentives, little financial autonomy, and consistent exclusion of much of the population on which the cities depend. And given inadequate policy responses, inequality is also growing. This challenge is greatest in Sub-Saharan Africa and South Asia, where slum dwellers now make up the majority of urban populations and where, not coincidentally, policies have been the weakest.

Faced with the reality that managing cities and their growth continues to be sidelined rather than viewed as a core development issue,

"Over the past twenty-five years, our continent has grown poorer not richer, and only four countries are on track to meet the MDGs in 2015. On present trends... halving poverty will require another 100 years."

—Trevor Manuel, Finance Minister of South Africa,
Welcoming Remarks made at the Commission
for Africa Seminar, Pretoria, 2 July 2004.



Daily market activity,
Kaneshie Market,
Accra, Ghana

this year the Alliance initiated work in the following three strategic areas where the need for action is critical:

- Encouraging both advocates and critics of urban development to take a hard look at what cities can contribute to national development and to identify and address cities' performance constraints. Instead of spending more time debating the contribution of cities to development, more energy needs to be spent on unblocking it. The best way to achieve this is by engaging local authorities in the national policy dialogue.
- Examining how cities can be proactive developers of urban infrastructure by mobilising do-

mestic capital more effectively. This underscores the importance of putting development priorities on the balance sheet and using policy consistency and budgetary commitment to attract stable, long-term investment—a process that can be supported through the use of sub-sovereign financing instruments.

- Recognising that both national and city-level policies need to anticipate, and be explicitly predicated upon, the growth of cities. With policymakers in denial, urban growth is currently often taking place in a haphazard and unregulated fashion on the peri-urban periphery, which frequently results in the growth of new slums.

REALISING OPPORTUNITIES FOR GROWTH

Cities and towns are essentially markets, places for the exchange of goods, services, and ideas.¹ However, the mere physical concentration of people and firms does not guarantee a well-functioning city, let alone a liveable one. Realising cities' economic and social advantages requires good public policy and investments in infrastructure and service delivery, along with an institutional environment characterised by accountability.

At the same time, many challenges facing cities are rooted in national, and even international, policy environments. If cities are empowered from above through supportive intergovernmental relationships and from below through accountability to the local population, city leaders can create the conditions for stability and growth, including installing capable professionals in the local government and involving stakeholders from local businesses and the community. Many Cities Alliance partners are using city development strategies (CDSs) for just these purposes.

¹ Kessides, C., 'The Contributions of Urban Development to Economic Growth and Poverty Reduction with a Special Focus on Sub-Saharan Africa', informal discussion paper prepared for the Cities Alliance (Washington, DC; June 2004). This section and the data contained therein are drawn largely from this paper.

Cities are where economies modernise

Sustained economic growth is always accompanied by urbanisation, because cities are the most efficient locations for service delivery and productive growth. However, despite cities' rapid growth and disproportionate contribution to national output, measuring the output of city economies is difficult, as few developing countries provide spatially disaggregated national accounts. Some cities have taken steps to fill this knowledge gap by measuring their local domestic product, for example, the economies of Johannesburg, Cape Town, and eThekweni (Durban) together account for some 50 per cent of South Africa's gross domestic product (GDP), but represent only 20 per cent of the national population.²

An assessment of the output of industry and of the service sector can provide a rough approximation of the contribution of urban-based activities to the national economy, because such activities tend to take place in cities and towns. The contribution of industry and services to total GDP growth in developing country regions over the past three years ranges from 83 per cent in Sub-Saharan Africa to 96 per cent in South Asia.

Rural areas benefit from urbanisation

Urbanisation arising from the release of labour caused by agricultural transformation is one important factor connecting urban and rural areas. Intensified, high-value agricultural production requires accessible markets and therefore tends to flourish close to urban areas. Former agricultural workers, their situation changed either because of increased farm productivity or the lack of it, are left with little choice but to enter the urban labour market. Nonfarm employment in rural areas also requires linkages to urban-based markets, suppliers, and information.

In countries with limited connections to global markets in particular, the domestic urban market can provide a major stimulus to agriculture, but

² South African Cities Network (SACN), *State of the Cities Report 2004* (Johannesburg: SACN, 2004).

The benefits of migration

Studies of internal migration show that 'it pays to take risks and migrate when looking for work' and that migration has proven to be one of the most effective coping strategies for the rural poor.³ It is therefore critical, especially for those populations living in rural areas and on fragile land in Africa, that domestic migration remain unrestricted so that individuals can make their own location decisions.

In addition, remittances by urban-based migrants are both an increasingly important source of nonfarm income and spread the benefits of urban markets throughout the country. In Karu, Nigeria, where 80 per cent of the inhabitants are migrants from other regions, studies undertaken in connection with the Karu city development strategy confirmed that the direct economic contributions of these migrants reached 24 of the country's 36 states. Moreover, households engaged in informal sector activities sent more money home than those working in the formal sector. While the magnitude of migrants' remittances is difficult to measure, estimates suggest that it exceeds other resources, such as microcredit or development assistance. In summary, migrants are good for economic development.

poor urban policy and the consequent low productivity in cities often prevent them from playing this role. Improving the economic performance of cities is crucial to the reduction of rural poverty through the provision of alternative employment opportunities for rural labour and the stimulation of increased demand for agricultural production.

The informal economy contributes to economic growth

The real story of production and growth, especially in Sub-Saharan Africa and in many other developing and transition countries elsewhere, lies in the informal economy. Estimates for Africa indicate that the informal economy workforce accounts for an extraordinary 78 per cent of nonagricultural employment, 61 per cent of urban employment, and 93 per cent of all new jobs created. Figures for Asia and for Latin America are also significant, al-

³ World Bank, *Benin Poverty Assessment* (Washington, DC: World Bank, 2003, pp. 4–5).

What do formal sector firms say?

Recent investment climate surveys in Africa and Asia asked formal firms in manufacturing to identify the biggest infrastructural and institutional constraints in their business environments.

Infrastructure and other productive inputs:

- **Electricity** was the biggest obstacle, cited by 65–90 per cent of firms in Africa, 90 per cent in Bangladesh, and 60 per cent in Pakistan. In East Africa, for example, 74 per cent of firms in Nairobi and 67 per cent in Dar es Salaam have their own generators as a precaution.
- **Telecommunications**, particularly in capital and primary cities. Firms in Kenyan urban areas and outside Kampala in Uganda report losing connections for an average of more than 30 hours at a time.
- **Transportation** affects all urban areas, but especially secondary cities in Mozambique, Tanzania, and Zambia. In Ethiopia, domestic transport costs are eight times those in China, four times those in South Africa, and twice those in Kenya.
- **Access to skilled labour**, particularly in capital and primary cities, where demand is higher than elsewhere.
- **Access to land**, particularly in Africa, Cambodia, and China. In Mozambique, firms pay an average of US\$18,000 in fees, and in Nigeria, landowners must re-register their land if they want to use it as collateral, which can take up to two years at a cost of 15 per cent of the land value, excluding bribes.

Institutional constraints:

- **Corruption** is the dominant concern, particularly in capital and primary cities.
- **Tax administration**, with little variation between primary and secondary cities, gives rise to problems because this is mainly a national function.
- **Crime, theft, and disorder** is an issue across Africa and Asia, and was cited by 80–90 per cent of firms in Kenya and in Maputo, closely followed by respondents in Zambian cities and Phnom Penh.
- **Business licensing** is identified as a moderate to major constraint, particularly in Maputo, Dar es Salaam, and Dhaka.

Source: Kessides, 'The Contributions of Urban Development to Economic Growth and Poverty Reduction'.

beit lower (Table 1).⁴ For women in Sub-Saharan Africa, the informal economy represents an estimated 92 per cent of all job opportunities outside

⁴ Kristina Flodman Becker, *The Informal Economy* (Stockholm: Swedish International Development Authority, Department for Infrastructure and Economic Cooperation, 2004).

agriculture, overwhelmingly as self-employment or own-account work.⁵

The growing evidence of the importance of the informal economy to both workers and consumers makes the case that policies should enable rather than oppose it. The informal sector's contribution to nonagricultural GDP is estimated to average 40 per cent in Sub-Saharan Africa and 31 per cent in Asia. However, local and national authorities often fail to recognise the significance of these positive impacts, and the informal sector often has to survive in the face of a neutral, if not hostile, policy and regulatory environment.

Many informal enterprises are sensitive to constraints that are within the competence of local government to address. Indeed, local governments have considerable scope to create a more conducive climate for the informal sector, which would help it grow in scale and develop linkages with formal firms. But many of the problems handicapping even large, formal firms in cities are rooted in national policies and investment. As illustrated at left, some of the assumed advantages of urban location—access to services with economies of scale—are weakened for firms in developing country cities.

Cities and poverty

Some observers take the evidence of urban poverty and deprivation, often most visible in slums, as a sign that urban areas belie claims of economic promise and an improved quality of life. The key question is whether poverty in cities is part of a healthy process of economic transition and mobility for the country and for households, or rather a perverse trap revealing dysfunctional institutions and exclusion that prevent individuals from moving forwards. Once again, much depends on the quality of local leadership and on the policies and strategies that local and national governments adopt.

Cities, especially larger ones, almost invariably offer higher incomes, better services, and lower incidence of poverty than smaller settlements. This is

⁵ International Labour Organisation (ILO), *Decent Work and the Informal Economy*, Proceedings of the International Labour Conference 90th session (Geneva: ILO, 2002).

Table 1. Relative importance of the informal economy in employment, selected regions (per cent)

Sector of the informal economy and job creation	Africa	Asia	Latin America and the Caribbean
Non-agricultural employment	78	45–85	57
Urban employment	61	40–60	40
New jobs	93	—	83

—: Not available.

Source: Charmes, J., *Estimations and Survey Methods for the Informal Sector* (Versailles, France: University of Versailles, 2002).

because larger urban areas provide a wider and deeper labour market, which offers people the opportunity to earn higher incomes and gives them the capacity to pay for services. Moreover, larger cities' density of settlement and proximity to centres of government mean that many services can be provided more readily and at lower per capita costs. The culture and living conditions of cities also encourage reduced fertility and soften many traditional barriers to opportunity for women and other marginalised citizens.

Whether cities actually provide a ladder for escaping poverty or dig a deeper hole for those at the bottom depends on two main factors: first, whether a city's potential to create jobs is liberated or is hamstrung by institutions and policy conditions; and second, whether city residents have effective access to land and housing, education, health care, and security even if they have erratic incomes, few powerful connections, and unrecognised status in the city.

Weak legs in city economies

(i) Land and housing markets

The most fundamental requirements for a productive urban economy include available and affordable land for firms and for housing and transport networks that promote the mobility of both goods and workers.

In many countries, the public sector still dominates the ownership and use of urban land, yet governments often inadequately protect rights-of-way or sensitive areas from settlement. Authorities typi-

cally overly restrict on-plot development and under-provide the infrastructure that would valorise land, accommodate growth, and prevent the growth of new slums. This is compounded by the lack of mortgage financing and of microcredit for progressive housing development. Combined with disincentives for rental supply, these deficits frequently conspire to make housing expensive, even for the middle class, and relegate poor households to slum housing.

(ii) Worker mobility

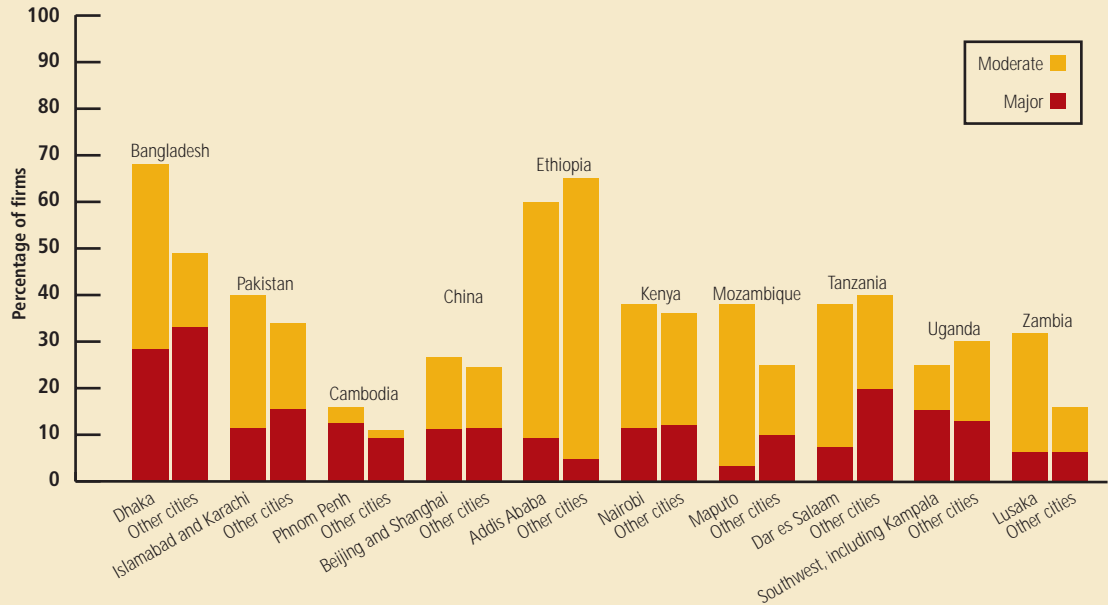
Failures in urban transport policy seriously compromise the movement of individuals, as well as the circulation of goods, thereby constraining the urban marketplace. In numerous cities the poor are simply priced out of public transport. In some cases transport costs account for almost half of households' expenditures, compared with an affordability benchmark of 15 per cent.

In the capital and primary cities in Africa, people need 45–60 minutes to travel to work, which can be more than double the time in secondary cities in the same country. In Addis Ababa, a city of 3.6 million people, 70 per cent of trips are by foot, with an average distance of 5 kilometres. In Nairobi, where only 3 out of 22 traffic signals were working at the time of one study, 48 per cent of all trips

“Ethiopia illustrates the impacts of inappropriate land use policies—the current policy of preventing land from being traded independently excludes most of the population, and only the top 20 percent of the income distribution can afford plots.”

—Alain Bertaud, Robert Buckley, Sumila Gulyani, Kate Owens, and Kevin Villani, *Real Estate Reform in Addis Ababa: Making the City a Platform for Market Development*, Executive Summary (Washington, DC: World Bank, Urban Development Unit, 2004, p. 2).

Figure 1. Access to land as constraint in urban centres—a cross country analysis



Source: As reported in Investment Climate Surveys, M. Chakraborty (2004). Cited in C. Kessides, 'The Contributions of Urban Development to Economic Growth and Poverty Reduction with Special Focus on Sub-Saharan Africa,' p. 39.

are undertaken by nonmotorised transport and the average walking trip is 4 kilometres. Because the largest cities should be able to afford better management of roads and public transport systems than smaller cities, these figures testify to policy neglect. The result is untrammelled use of motorised vehicles by upper-income groups and walking by everyone else. Moreover, roads are often poorly designed for walkers and extremely unsafe—even for cars.

(iii) Good governance and sustainable finance

The major indicator of a well-functioning city, as well as its major determinant, is the quality of its governance and its financial management. Running a city showcases local governance because the linkages—for better or worse—between public expenditure, local public goods, quality of services, and quality of life are hard to miss.

City financial performance depends, in the first instance, on the intergovernmental fiscal framework, which determines a city's authority to tax and spend, and its access to various forms of central tax revenues. The growth of urban economies

should generate a buoyant revenue base that can fund many of a city's own needs and contribute to the nation's coffers, yet the collection and management of local taxation is sorely neglected in many countries. This should be one of the primary concerns of both local and national governments as the urban transition accelerates.

African local governments rely more on transfers and less on local taxation than cities in other regions, reflecting in part the incomplete process of fiscal decentralisation. Local governments' revenues and expenditures as a share of GDP vary widely, from 11 per cent for the European Community to less than 5 per cent for African countries, with local revenues being less than 1 per cent of GDP in Cameroon and Madagascar.

Advocates must speak up for cities

Because issues like city size, migration, poverty, crime, and other high-visibility issues often distract national policymakers and international development agencies, cities rarely figure prominently and explicitly in national growth and poverty reduction

strategies. Policymakers simply take the functioning of the urban economy for granted. A notable exception is China's Tenth Five-Year Plan of 2001, which advocates increased urbanisation and active city-region interchange to stimulate rural and national economic development.⁶

Increasingly civic leaders are making the case to national governments and the outside world about what cities can do and what they need. This year saw unprecedented progress in this regard. The much anticipated formation of a united voice and world advocate for local government was realised in Paris in May 2004 with the launch of United Cities and Local Governments (UCLG). The final declaration of UCLG's founding congress recognised local governments' key role in promoting sustainable development and contributing to the achievement of the MDGs, including their commitment to attain MDG target 11: cities without slums.⁷

Across the globe, world leaders have recognised the significance of UCLG in promoting the values, objectives, and interests of cities and local governments. The report of the Panel of Eminent Persons on United Nations-Civil Society Relations, chaired by Fernando Henrique Cardoso, the former president of Brazil, which was issued by the United Nations in June 2004,⁸ singles out UCLG as 'an important conduit for representing people at the local level in the system of global governance'.

FINANCING CITY INVESTMENT NEEDS

To respond to their enormous infrastructure backlogs and plan for future growth, cities in developing countries need to be proactive developers of urban infrastructure rather than just passive providers of services.⁹ Even though cities in most developing



Busy waterfront at Phong Hiep, Can Tho, Vietnam.
© Q.T. Luong/
Terragalleria.com

countries contribute substantially to national income, they rarely receive their due share of key city-level investments, such as water supply, wastewater treatment facilities, and solid waste management systems, despite the widespread recognition that urban infrastructure investments improve the mobility of goods and have positive effects on both economic growth and human well-being.

Limited financial assistance from national budgets, as well as the lumpy nature of urban investments, especially for water and sanitation projects, makes long-term debt a vital option for local governments. However, cities also require short-term working capital because of the mismatch between revenue and expenditure flows, thereby compounding the financing problem, while widespread urban poverty limits the city's ability to pay for high financing costs.

The availability of debt finance is a prerequisite for undertaking essential civic investments. In the long run, domestic savings through capital markets have the potential to be the predominant source of credit supply, but to achieve this, cities' financing requirements for infrastructure need to be linked to domestic capital markets. An initial requirement is for cities to become creditworthy.

For most cities in the developing world, sources of municipal debt have been limited to governments, government-owned financial institutions, or finance raised on the basis of government guaran-

⁶ State Council of the Government of China, *The Tenth Five-Year Plan of China*, Summary (Beijing: New Star Publishers, 2001).

⁷ UCLG, 'Founding Congress Final Declaration', para. 22 (May 2004).

⁸ United Nations, 'We the Peoples: Civil Society, the United Nations and Global Governance,' report no. (A/58/817 (New York: United Nations, 2004, p. 51).

⁹ Rajivan, Krishnaswamy, 'Linking City Financing Needs with Domestic Capital', discussion paper (Washington, DC: Cities Alliance, 2004). This section draws extensively on this paper.



tees. According to a recent estimate, governments or public utilities' own resources financed 70 per cent of all infrastructure spending in developing countries in the 1990s, the private sector contributed 20–25 per cent, and official development assistance financed 5–10 per cent.¹⁰

However, since the 1990s, larger cities in countries such as India, Mexico, and South Africa have accessed capital markets to raise debt for municipal infrastructure based on their own credit rating rather than on guarantees. Some smaller Indian cities have pooled their finance needs to become marketable. But because of demand- and supply-side imperfections, these recent debt offerings have yet to be mainstreamed into the investment process. From the lenders' perspective, lack of a transparent accounting system, near absence of collateral, and project revenue streams that rarely match commer-

cial debt costs are often viewed as constraining factors. From the city's perspective, important impediments include the high transaction costs of commercial finance, the absence of a level playing field in terms of fiscal incentives for municipal debt offerings, and the limited experience of lenders and rating agencies in structuring security mechanisms that are not based on such traditional instruments as collateral or guarantees.

The need for national-level policy actions to enable the creation of a new market for private capital to finance public infrastructure in a sustainable fashion is now a pressing policy issue. National governments must provide a regulatory framework for municipal debt, issue transparent rating criteria, remove fiscal distortions, and encourage tradability of debt. In federal countries, states can encourage municipal reform by adopting accrual accounting systems and cost-recovery mechanisms that acknowledge affordability constraints, as well as by establishing benchmarks for approving loans.

¹⁰ UK Department for International Development 2002, cited in World Bank and International Monetary Fund (IMF), *Global Monitoring Report 2004* (Washington, DC: World Bank and IMF, 2004, p. 101).

Experience in the industrial countries emphasises the essential role of national governments in integrating municipal needs with the domestic debt market. In developing countries, the basic elements of a debt policy framework urgently need to be better defined. An evaluation of lending to cities in developing economies reveals little uniformity with respect to lending criteria, security mechanisms, and appraisal systems. The evidence indicates that institutional debt to municipalities through central governments for investments in water and sanitation is often on-lent to parastatals. As a result, such guarantee-based financing has often led to low levels of municipal and lender involvement in the design, execution, and financing of projects, with the outcome that loans are seen as impositions on the recipient community. From cities' standpoint, the ability to demonstrate both community consent and a clear revenue stream would provide greater voice when negotiating for increased devolution of responsibilities.

At the national level, a commitment to stable fiscal transfers based on rational, predictable criteria would provide an important credit enhancement mechanism that would enable private markets to develop confidence in the timely repayment of debt. A clear and usable framework for both lenders and borrowers is an urgent priority for cities in the developing world.

From the international community's perspective, the need to invest in making domestic capital markets work for cities' financing needs, especially for the provision of cleaner water and the treatment of wastewater, is increasingly well understood. The MDGs, the Kyoto Water Conference, and the Camdessus Report's recommendations on access to debt by small and medium cities have affirmed the need to address the financing challenges and develop suitable work plans.¹¹ The hope is that such a market-making strategy would be the first step in transforming municipalities into freer and more responsive developers of urban infrastructure.

¹¹ World Water Council, *Financing Water for All: Report of the World Panel on Financing Water Infrastructure*, chaired by Michel Camdessus. World Water Council, 2003).



Urban periphery in Jakarta, Indonesia

FOCUSING ON THE GROWTH OF CITIES AND PERI-URBAN AREAS

Of the 1.4 billion people who will be added to the world's cities by 2020, virtually all of them in developing countries, approximately 45 per cent, or 630 million people, will live in peri-urbanising areas.¹² This phenomenon has a number of essential features, namely:

- Migrants are increasingly settling in peri-urban areas and seeking jobs.
- Rural communities are being enveloped by expanding cities.
- Urban poverty rates are often higher in peri-urban areas than in core cities.

This often chaotic pattern of growth produces a monumental public agenda, especially as the importance of peri-urban areas in poverty alleviation and prevention is even greater than the demographics suggest. Bold thinking and new policy approaches are urgently required to anticipate this growth and focus on the economic and social opportunities it presents, as well as to prevent the growth of the next generation of slums.

¹² Webster, Douglas, *Summary of Peri-Urbanisation: The New Global Frontier* (Enschede, Netherlands: International Institute for Geo-Information Science and Earth Observation, 2004).



Child hawkers at
Xai Xai Market,
Mozambique

The spatial pattern of peri-urbanisation is often initially determined by the routes of newly built highways, but little of the subsequent growth is planned or regulated. Land speculation, and land grabbing by local elites are more typical. In peri-urban areas where in-migration from distant locales is significant, such as Dar es Salaam, and where the ratio of newcomers to long-time residents shifts radically, community building can be a major challenge. Often expectations of employment attract more job seekers than can be accommodated or the local poor are left behind.

Peri-Urban Variants

In Africa, peri-urbanisation is often driven by migrants seeking better options in the face of agricultural unemployment, as well as of conflict, resettlement, and insecurity in some rural areas. Agricultural employment, including market gardening and urban agriculture, along with the informal economy, remain as significant sources of work for migrants to African peri-urban areas.

Peri-urbanisation in the emerging economies of Asia, especially Southeast Asia and China, is largely investment induced, even away from coastal areas in large urban regions in the interior, such as Chongqing, Chengdu, and Wuhan. This model is based on labour-intensive, mass assembly, export-oriented industrialisation. Public policy typically encourages industrial investment outside the exist-

ing metropolis through a combination of location incentives and investment in key public infrastructure projects that cater to industry.

A new set of drivers is shaping peri-urbanisation in Latin America. Because Latin American countries have already reached high levels of urbanisation, rural to urban migration is relatively insignificant. The outward relocation of slum communities, often driven by land market forces, and the envelopment of smaller towns and cities, have become the principal drivers of residentially-driven peri-urbanisation. Latin American peri-urban patterns are characterised by the segregation of lower-income populations in more vulnerable peripheral areas away from the residential developments of the privileged middle class. The São Paulo and Santiago extended urban regions epitomise this model.

Peri-Urbanisation and Poverty Reduction

The geography of urban poverty is changing rapidly in many developing countries: in many instances inner city slums are accounting for a smaller percentage of low-income people, while peripheral areas are accounting for a higher percentage of the urban poor. In most developing urban regions, the two main demographic drivers of urbanisation are rural-urban migration and envelopment, in which city growth expands outwards, capturing rural communities.

Yet we know little about urban poverty dynamics in these peripheral areas, and at the national, provincial, and local levels, policy frameworks to maximise the poverty fighting potential of peri-urban areas are virtually nonexistent. In general, policies stress poverty alleviation at the expense of poverty prevention.

Poverty reduction in the developing world's extended urban regions should be based on a realisation that

- Peri-urban areas need to be incorporated into local and regional planning frameworks.
- Many migrants to urban regions fall into poverty because of insecure tenure and poor access to transport, information and employment.

- Envelopment processes may lower the standards of living of those enveloped.

Current static approaches to urban poverty alleviation need to be rethought. Policymakers need to pay more attention to anticipating flows by those trying to escape rural poverty who potentially become additional urban poor. This means accepting and anticipating urbanisation by supporting peri-urban migrants' access to information networks, employment, and skills training. It requires access to land and to affordable, rapid public transportation systems to enable peri-urban resi-

dents to access larger employment and housing markets. It also means ensuring that those who are enveloped do not lose their assets, particularly land, without adequate compensation. Land markets in peri-urban areas, which are all too often controlled by elites and those with political connections, will need to be rationalised and made transparent so that both residents and the private sector can purchase land and provide affordable housing. Without new thinking and policy approaches, the next generation of slums will continue to grow on the periphery of urban areas throughout the developing world.



Can Tho, Vietnam © Q.T. Luong/Terragalleria.com



Satellite Image of Kibera slum settlement, Nairobi, Kenya

Cities Alliance in Action

The View from the City



ince its inception, the Cities Alliance has grown by learning from cities and by helping cities learn from each other. To date, its activities have involved almost 150 cities worldwide. This year it benefitted from an internal evaluation of completed Alliance-supported activities that involved both slum upgrading and CDSs. The activities evaluated included most of the Alliance's first generation of activities, many of which were approved within the framework of its 2000–01 work programmes.

While each activity has its particular unique features and has generated its own lessons, the evaluations identified some common themes. The exercise underscored the importance of examining the kinds of development challenges facing cities from the perspective of cities and their citizens.

All the evaluations reinforce the central importance of city and country leadership for sustaining and scaling up the impacts of development. Accordingly, the Alliance has moved purposefully to promote initiatives owned, generated, and designed by cities, with consistently positive results: there is no substitute for the clarity with which the mayors of cities like Addis Ababa, Amman, San Fernando, and São Paulo have set their own developmental priorities.

Despite the continued expansion of processes of democratisation and decentralisation, national governments are often still markedly reluctant to share their developmental responsibilities with local governments, leading to a mismatch between the risks local governments face and their responsibilities. Those national governments that still prefer to treat local governments as administrative extensions of the centre rather than as autonomous, but complementary, parts of a single, integrated system lose all the benefits of leveraging innovation, sharing responsibility, and demanding accountability from local governments.

Even from the limited analysis of our own evaluations, what is striking is the extent to which basic failures in the engine room of

government—policies, institutions, procedures, and administration—contribute directly to the underdevelopment of cities, the perpetuation of slums, and the creation of a political and social underclass. The same policy failures constrain slum dwellers’ natural inclination to improve their own lot and act as a strong disincentive for private sector investment. This is compounded by national governments’ and international development agencies’ common failure to acknowledge the importance of urban growth and city inclusion strategies as an integral

component of national poverty reduction strategies. The risks of this failure include perpetuating social exclusion, economic stagnation, and decline.

The importance of a positive vision and policy framework for urban development was sharply evident in the work the Cities Alliance supported with the World Bank and UN-HABITAT in three cities in Central America: Tegucigalpa, San Salvador, and Panama City. As the report on the activity notes, the starting point for comprehensive change lies with government: ‘The urbanisation process will continue to pour hundreds of thousands of generally poor people into towns and cities—local and national governments accepting this as a fact, and as a precondition for further social and economic development, can provide the basis for policy development’.¹³ In short, a policy framework that actively promotes social inclusion is a fundamental prerequisite for sustainable development.

Yet solutions are not necessarily either difficult or complex. Seeing Ismailia’s residents responding positively to one of the first comprehensive participatory planning processes in Egypt and investing their own time and money in the city’s future is instructive.

Yet solutions are not necessarily either difficult or complex. Seeing Ismailia’s residents responding positively to one of the first comprehensive participatory planning processes in Egypt and investing their own time and money in the city’s future is instructive.

¹³ World Bank, *Urban Services Delivery and the Poor: The Case of Three Central American Cities*, vol. 1, Report no. 22590 (Washington, DC: World Bank, 2002, p. iii).

“[I]ssues of slum eradication, urban upgrading, and regeneration—all the elements that make up an approach to poverty reduction and form the basis for formulating a Cities without Slums program—will logically be identified as investment priorities under the City Development Strategy.”

—Asian Development Bank (ADB), *City Development Strategies to Reduce Poverty* (Manila: ADB, 2004, pp 4–5).



Zahedan slum, Iran, near the Afghan border

Not surprisingly, the evaluations reinforce the importance of mobilising the resources of all partners at the local level: those of the city government, the domestic private sector, and the poor urban communities. This is a simple and seemingly obvious lesson, but one that is not always heeded. While each party could undertake activities in isolation and push ahead according to its own agenda, few, if any, examples exist of large-scale, successful, and sustainable development activities that did not involve complementary efforts on the part of all local constituencies.

The evaluations and many ongoing activities within the Cities Alliance portfolio demonstrate the interconnections between slum upgrading and poverty-oriented CDSs. This is particularly the case in those cities in which a large proportion of the population already lives in slums. In such cases, a citywide upgrading strategy is implausible without a fundamental rethinking of how the city is being run, and the Cities Alliance’s two platforms necessarily merge into a single, citywide strategy.

This kind of rethinking is clearly the case for the strategies adopted in São Paulo, Hyderabad, and Johannesburg and those now emerging in Tetouan, Lagos, and Mumbai, where slum upgrading is but one of a number of reforms that are being addressed as part of a longer-term, citywide strategy.

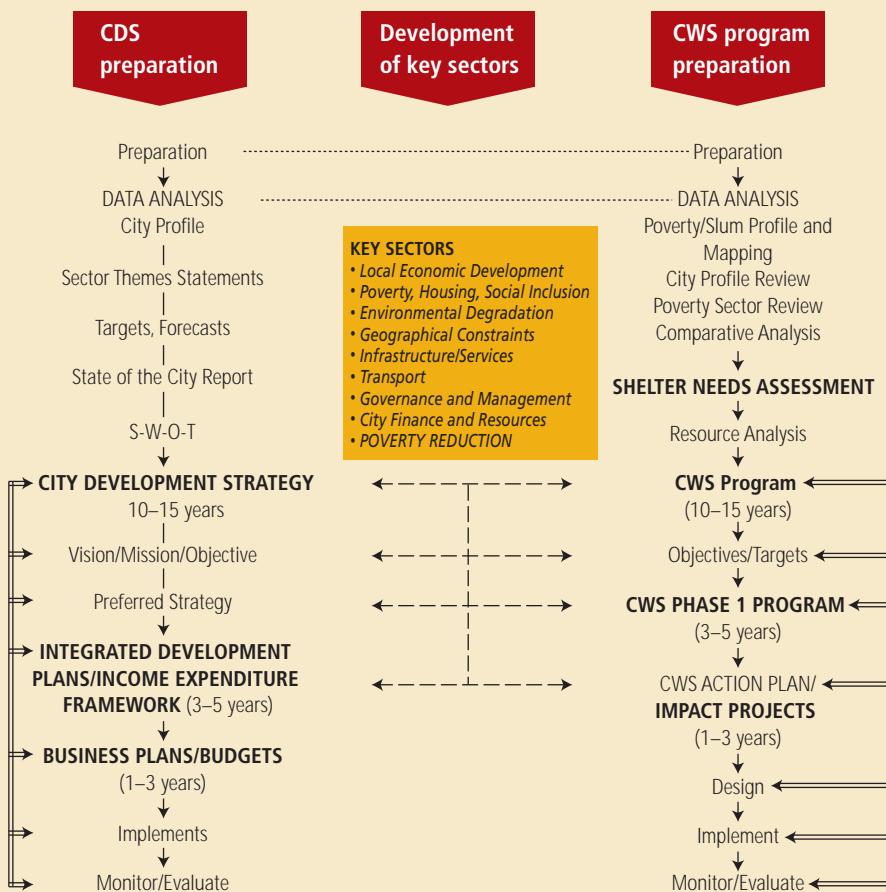
Notwithstanding which entry point is used, Cities Alliance activities are highlighting the importance not just of the policy framework and the

institutional arrangements that operate at the local government level, but are increasingly emphasising the issue of a sustainable financial strategy, both in terms of a city’s budget and in terms of investment. While an important and catalytic role for international assistance and investment often exists, the main focus of city managers should be on mobilising domestic capital.

The evaluations of a number of CDSs highlight both the difficulty of and the need for local governments to create conditions that help investors

and residents alike to take a longer-term view and invest in both their own and the city’s future. Local governments can contribute to this climate by promoting a rules-based economy with transparent and participatory decisionmaking processes that lead to stable and consistent policies, investing in infrastructure, maintaining a fair and efficient administration, supporting a commercial environment, and using the city’s resources to the advantage of all citizens.

Figure 2. The CDS and CWS processes interrelation



Legend
 — Main CDS/CWS Program Preparation Process
 Important CDS/CWS Linkage
 - - - Linkages between ongoing CDS/CWS Program Process and Key Sector Studies/Review
 == Review feedback
 CWS: Cities Without Slums
 S-W-O-T: Strengths, weaknesses, opportunities, and threats

Source: Asian Development Bank (ADB), *City Development Strategies to Reduce Poverty* (Manila: ADB, 2004, p. 23).

“Municipal governments play a key role in managing the local conditions for private sector development. They establish the governance frameworks and practices. They play a leadership role in community development, managing and administering the local business environment, purchasing and delivering goods and services, enabling integration facilitating equity and building networks and policy frameworks.”

—Yves Ducharme, President of the Federation of Canadian Municipalities, in his cover note to *Municipal Role in Private Sector Development*, Policy Paper Series no. 1 (Ottawa: Federation of Canadian Municipalities, 2004).

Sub-Saharan Africa



Alexandra township, South Africa

Not only is Sub-Saharan Africa the poorest region in the world, the number of people living in extreme poverty, that is, on less than US\$1 a day, has nearly doubled during the past two decades, rising from 164 million in 1981 to 314 million by 2001.¹⁴ As noted in a recent UN report, ‘Seen from the point of view of development, Sub-Saharan Africa is not just failing to converge with other regions: its decline is absolute’.¹⁵

Sustained economic growth is unlikely to make much progress without increased investments in the social well-being and education of the population, as well as the promotion of policies that provide for the absorption of surplus labour into manufacturing, services, and informal private sector activities. Achieving this will require a signifi-

¹⁴ World Bank, *World Development Indicators 2004* (Washington, DC: World Bank, 2004).

¹⁵ United Nations Industrial Development Organization (UNIDO), *Industrial Development Report 2004: Industrialization, Environment, and the Millennium Development Goals in Sub-Saharan Africa* (Vienna: UNIDO 2004, p. xv).

cant change in the attitude of many African governments, which will need to recognise that long-term national economic growth—as well as reduced rural poverty—will increasingly and inexorably depend on the efficiency of urban areas, and that economic growth and investment will be achieved largely as a result of the interest and drive of the domestic private sector.

How can African cities help promote a framework for good governance that respects and promotes the rights of their citizens and attracts investment? Some hopeful signs have emerged over the past year that point towards an emerging framework within which cities' economic and social potential can be more fully developed. At the end of 2003, during the Africities Conference, the three African local government organisations, the African Union of Local Authorities (AULA), the Unao do ciudades y capitais lusophono Africana (UCCLA), and the Union des villes africaines (UVA) merged to form the Council of Cities and Regions of Africa (CCRA). Headquartered in Rabat, the new body will bring the African dimension to the agenda for cities being forged by UCLG.

The New Partnership for Africa's Development (NEPAD) has also moved swiftly to recognise the importance of cities. With the assistance of the United Nations Human Settlements Programme (UN-HABITAT), NEPAD has launched a cities forum. The forum held its inaugural meeting in Lagos in May 2004, at which NEPAD recognised the roles that cities can play as engines of economic growth and as vehicles of economic integration in Africa.¹⁶ The recent publication by the South African Cities Network, *State of the Cities Report 2004*, sets a welcome standard and demonstrates the importance placed on urban areas in that country.

The Cities Alliance has continued making modest but important progress in Africa, greatly assisted by the support that Norway, Sweden, and USAID have provided to the Alliance's Cities With-

Cities' influence on national policy formulation

The South African Cities Network (SACN), which the Cities Alliance has been supporting since the network's launch in October 2002, had an exceedingly productive year, with its work resulting in two particularly fruitful outcomes.

Its highly acclaimed *State of the Cities Report 2004* reflects how by structuring its work programme around CDSs and developing indicators to measure city performance and development, the SACN has established an analytical framework that is serving its nine member cities, as well as the national government, in terms of deepening the understanding of the role of cities in the national economy and poverty reduction.

As a knowledge-sharing organisation, promoting strategic thinking by cities and various spheres of government, the SACN is demonstrating its unique ability to link national and local governments in working on key policy areas.

Another key area where the SACN is contributing to national policy dialogue is housing and slum upgrading. As the government pursues its goal of 'moving towards a shack-free society', the SACN is collaborating with the Department of Housing on the development of a national strategy for upgrading informal settlements. Indeed, in her budget speech to the National Assembly in June 2004, Minister of Housing Lindiwe Sisulu referred to the SACN's *State of the Cities Report*, underscoring the impact of the network's contribution: 'The difference now is that we are not dealing with intent, we will now be operational. There will be visible results within the timeframes we set ourselves'.

out Slums Facility for Sub-Saharan Africa. The Facility has provided assistance in Lagos, Addis Ababa, Johannesburg, Mbabane, and Ghana's Kumasi region and has given Alliance members an opportunity to offer essential preparatory assistance to a number of other cities.

¹⁶ Communiqué issued at the end of the First NEPAD Cities Consultative Forum, Lagos, 10–12 May 2004.

LAGOS: PLANNING CITYWIDE SLUM UPGRADING



Nigeria is the most populous country in Africa and is also home to its largest city, Lagos. The national annual urbanisation rate is an extremely high 5.5 per cent, and projections suggest that Nigeria will be 50 per cent urban by as early as 2007. Most of the population is extremely poor: estimates indicate that about two-thirds of the population, or some 80 million people, survive on less than US\$1 per day. Indeed, Nigeria's poor account for 6 per cent of the world's poor.

The democratic government is grappling with an onerous legacy arising, in part, from decades of military rule and mismanagement that still impede development and progress. Transparency International ranks Nigeria as the second most corrupt country in the world. The federal government and civil service are extremely large, with the staff payroll accounting for an extraordinary two-thirds of federal government expenditures.

Nevertheless, the government has made some progress in instituting basic reforms, including improvements in economic stability. It has also made some headway in the fight against corruption and in improving government accountability. In its 2004 budget, two-thirds of capital expenditures are directly related to the achievement of MDG targets.

Lagos is one of the fastest-growing cities in the world, with an expected population of 25 million

in 2015, and suffers from decades of neglect and underinvestment. Yet, as the commercial capital of the country, its economy is vital to that of Nigeria, contributing more than 60 per cent of Nigeria's non-oil GDP.

Working with the World Bank, the Cities Alliance has provided a modest grant to the Lagos state government, which has been one of the pioneers in introducing reforms at the state and local levels. Within the framework of these reform activities, the World Bank has been supporting the Lagos state government in the development of a multi-sectoral strategy for economic development and poverty reduction. With a clear and consistent focus on improved governance, this strategy comprises the following elements:

- Institutionalising participatory processes;
- Upgrading slums citywide;
- Creating an enabling environment for private sector investment;
- Reforming land management and planning practices and preparing for future population growth;
- Reforming public sector management;
- Monitoring the impact of expenditures to improve accountability.

An important outcome of the policy dialogue has been the Lagos state government's commitment to adopt a citywide urban upgrading approach towards its slums in a move away from the demolition, removal, and renewal approach that characterises many other cities and countries. The World Bank expects to support the improvement of living conditions in the Lagos slums through investments in basic municipal services.

SLUM UPGRADING IN NAIROBI: A DIFFICULT ROAD

Nairobi has taken the initiative to upgrade its slums through the citywide Collaborative Slum Upgrading Programme, which the government intends to



replicate nationwide. The Nairobi City Council is implementing the programme with the assistance of UN-HABITAT, which has its global headquarters in Nairobi. The Ministry of Roads, Public Works, and Housing has established a secretariat for the national programme, and to ensure inclusiveness and act as a forum for contributing ideas, a stakeholder support group has been established that includes development partners, nongovernmental and civil society organisations, the private sector, and relevant government institutions.

Nairobi's Collaborative Slum Upgrading Programme commenced in Kibera, one of the city's 199 slum settlements. Kibera is a high-density, sprawling slum that consists of 12 villages and spreads across approximately 250 hectares in southwestern Nairobi. Home to more than 500,000 people, it is one of Africa's largest slum settlements.

Kibera's residents live in conditions of extreme poverty. They lack basic physical and social infrastructure and have little or no formal security of tenure. Garbage and human waste are littered everywhere, and residents live in houses made mostly of mud and wattle or of corrugated iron. In addition to high unemployment and illiteracy rates among Kibera's residents, the incidence of HIV/AIDS is among the highest in Nairobi.

In starting with Kibera, the City Council and the government are hoping to demonstrate what is possible in the most difficult and notorious of Kenya's slums. Notwithstanding the government's public commitments to the upgrading programme, a number of significant challenges have yet to be overcome. These include the following:

- A history of poorly implemented and incomplete upgrading projects has made the residents of slum settlements sceptical. They do not, as yet, believe that this time the outcome will be any different. Policymakers have to strike a balance between raising unrealistic expectations and dampening hopes yet again, which is perhaps the project's greatest challenge.
- The population density of around 2,000 people per hectare makes comprehensive, in-situ upgrading extremely difficult. A process of reducing population density is likely to be necessary, but this will need to be achieved with the support of the slum dwellers themselves.
- The issue was compounded in early 2004 by controversial demolitions undertaken by the government that were only suspended after an international outcry. These demolitions damaged the credibility of those involved in the programme and increased both people's scepticism and the population density.
- The issues of tenure security, land market transparency, and tensions between structure owners and tenants still need to be resolved, even though all of Kibera is on government-owned land.

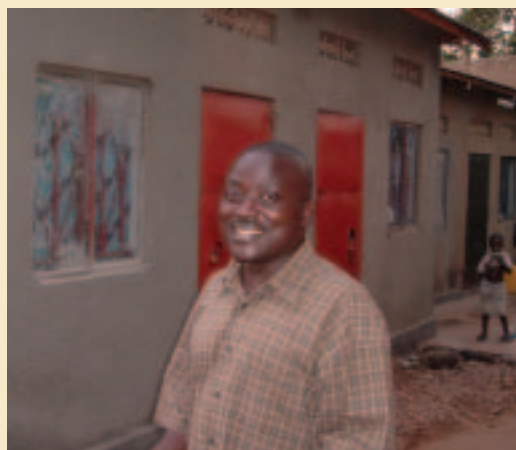
On a positive note, the involvement of as many stakeholders as possible is making some difference in addressing the various issues. The Nairobi Informal Settlements Coordination Committee, which has a track record of involvement in these slums has provided critical support, while collaboration with the World Bank's Water and Sanitation Programme has generated vital data and information.

The most tangible outcome expected from this phase is a clear implementation strategy for upgrading the 12 villages in Kibera—a strategy that should have the support of all the major stakeholders and, most critically, the support of the slum dwellers themselves. This strategy will be the first citywide strategy in Kenya to have been generated with full participation by all stakeholders: the national government, the local city government, the affected residents, and the private sector along with nongovernmental organisations (NGOs), commu-

nity-based organisations, and other development partners. The focus is now moving to the mobilisation of investment partners, with the government

taking the lead in signalling its commitment to providing budgetary support for slum upgrading.

Uganda: ACCION International Partner, the Uganda Microfinance Union Makes Its First Housing Loan



Tom Kikonyogo's compound is littered with construction materials: sand, stones, and planks. In March 2004, Tom became the first client to obtain a home investment loan from the Uganda Microfinance Union (UMU), an ACCION International partner microfinance institution, to complete his house just north of Kampala.

Tom, age 31 and the father of two—two-year-old Esther and five-year-old Eric—had rented out their family home to a road construction company to bring in some much needed extra income. This meant squeezing the family into two unfinished rooms with bare mud floors, no electricity, and no water.

Working as an attendant at a nearby inn, Tom's meagre salary prevented him from completing his family's home. A guest at the inn had told him about the UMU, which he joined in November 2003, taking out an individual business loan that he diverted to fix the doors and windows of his house. However, his funds were insufficient to complete his dwelling. As Tom was about to make his last payment

on the first loan, he was informed that UMU was about to introduce home investment loans.

Specifically designed for home improvements, the loan offers terms of up to 18 months, 6 months longer than for business loans. Even though the loans depend on a detailed evaluation of the client, the UMU does not require a mortgage, but clients do have to provide household goods as collateral or a guarantor. Home improvement loans carry lower interest rates than enterprise loans, but longer terms and larger amounts allow the UMU to cover its costs.

Before the home improvement loan was launched, Tom had been contemplating selling his furniture and other household valuables and cutting down spending on basic necessities. 'I was already stuck and worried', recalls Tom. 'I badly wanted a lump sum to complete my units and provide decent accommodation for my family'. The introduction of the loan was a huge relief to Tom. Had he financed the construction from his own resources, it would have been disastrous for his family. Tom was the first home improvement loan client to register, and he made his first loan repayment on time on 1 April 2004.

Since Tom took out the loan for U Sh 3 million (US\$1,667), his family's life has changed for the better. The rooms in his home have been wired and the family now has electricity, while the new ceiling cools the house. At the same time, Tom adds, his children are not starving.

Tom is using part of the loan to build rooms to rent out, which, Tom proudly notes, he has already succeeded in doing. Once all the units are fixed, Tom expects his income to increase and looks forward to sending his son Eric to a better school.

(continued from previous page)

The Uganda Microfinance Union currently offers its housing investment loans at its Bombo and Kajjansi branches. Support from the Cities Alliance to ACCION International enabled the Uganda Microfinance Union to develop the housing investment loan product to expand housing finance in Uganda. Working simultaneously with partners Banco Solidario in Ecuador and SOGESOL, the microlending arm of SOGEBANK, in Haiti, ACCION is working to scale up housing microfinance for the poor.

Beyond the development of new housing programmes with these partner microfinance institutions (MFIs), ACCION is closely examining the legal, financial, and regulatory environments that promote or discourage the provision of housing finance for the poor.¹⁷ It is also working to develop mechanisms for MFIs with growing housing portfolios to access stable, medium-term sources of funding to finance their growth. Adding housing loans to an MFI portfolio dominated by working capital credit leads to larger average loan sizes and terms. As an MFI disburses more housing loans, this situation becomes more acute.

¹⁷ For more information about the experiences of ACCION International and its partner MFIs, see www.accion.org.

The following lessons are already emerging from ACCION's experiences with housing finance:

- Housing microfinance is a more appropriate lending methodology for serving the housing finance needs of the urban poor than traditional mortgage lending.
- Housing microfinance programmes can be integrated into MFIs' existing microenterprise finance operations without any adverse effects on the quality or growth of their existing portfolios once credit staff have mastered the new product.
- MFIs' existing loan officers can be trained to offer housing loans without having negative impacts on their productivity.
- Needs for technical construction assistance, such as drawing plans, estimating construction costs, and supervising construction labour, vary from person to person; however, providing a wide range of technical advice is costly for MFIs, reduces staff efficiency, and does not lead to higher standards of quality in the constructions financed.
- Tools for estimating construction budgets are effective in controlling building costs and in ensuring that loans meet clients' needs.

FROM VISION TO ACTION: BOBO-DIOULASSO PREPARES TO IMPLEMENT ITS CDS



After more than 21 months of intense preparation and discussion among local and national stakeholders, the mayor of Bobo-Dioulasso, a city of 300,000 inhabitants, has launched the city's Local Economic Development Charter, which sets out a vision for re-establishing Bobo-Dioulasso and the surrounding region as the economic and industrial heart of Burkina Faso.

Participants at an April 2004 workshop run by the city were surprised to learn that financing the strategic investment priorities identified in the city's long-term development strategy was well within their grasp. By combining existing initiatives by national and international partners and looking at different scenarios for the development of the city's

budget and local taxes, the proposed strategy proved to be a realistic vision for Bobo-Dioulasso.

Bobo-Dioulasso's CDS, which began as a partnership between national authorities, the Association of Municipal Governments of Burkina Faso, the private sector, the municipal government, UN-HABITAT, and the French Embassy, builds on the results of the ECOLOC approach. This approach was launched by the Organisation for Economic Co-operation and Development, the secretariat of the Club du Sahel, and the Municipal Development Programme to provide local elected officials and other actors with information that would help them improve the competitiveness and quality of their cities. In the case of Bobo-Dioulasso, the ECOLOC studies provided a comprehensive picture of the economic linkages between Bobo-Dioulasso and other areas, including cities in neighbouring countries.

The city and its partners are gearing up to implement the long-term development of Bobo-Dioulasso and the surrounding region. To facilitate the implementation of the agreed strategic development framework and priority investment programme, the mayor has set up a working group that includes representatives of the stakeholders and is responsible for developing an institutional structure that will turn the Local Economic Development Charter into action.

NIGER: DOSSO AND MARADI LEAD WITH CDS



Niger is one of the world's poorest countries, and its urbanisation rate of around 23 per cent is low in

comparison with that of other countries in the region. While poverty in the country's cities is still notably less than in its rural areas, the combination of rapid population growth, poor urban infrastructure, and weakened social links in urban areas portends higher urban poverty rates in coming years. At its current growth rate of more than 6 per cent per year, Niger's urban population will double in the next 12 years.

Despite the decentralisation process that the central government recently initiated, Niger's cities are not yet well prepared for the anticipated population increase. The national government still retains control of the less than 8 per cent of the public investment budget dedicated to urban infrastructure, 80 per cent of which is financed from foreign funds. At this time, how cities in Niger can contribute to national poverty reduction objectives by means of local actions remain unclear.

With a view to improving local delivery initiatives, the cities of Dosso (43,000 inhabitants) and Maradi (147,000 inhabitants), in collaboration with the Association of Cities and Communes of Niger, asked the World Bank and Agence Française de Développement (AFD) to support a CDS. One of the aims of the CDS is to link a local economic growth and poverty reduction strategy with the national poverty reduction strategy paper process and national macroeconomic and social objectives. The approach complements a national urban development strategy that the government of Niger is currently developing.

As a first step, in March 2004 both cities embarked on a participatory poverty assessment, which revealed that 45 per cent of Dosso's population and 53 per cent of Maradi's population were below the poverty line. The assessments also pinpointed the multidimensional nature of poverty and confirmed the correlation between poverty and the lack of basic services (water, sanitation, electricity). Not surprisingly, 90 per cent of those interviewed associated poverty with a lack of employment.

On the basis of this assessment, the cities and their partners will analyse prospects for their economic and social development, as well as appropri-

ate institutional arrangements for the implementation of a long-term development strategy. With the active participation of the Association of Cities and Communes of Niger, the results of these two CDSs should create a platform for extending CDSs to other urban communes in Niger.

THE JOHANNESBURG-ADDIS ABABA PARTNERSHIP PROGRAMME



Market in Addis Ababa, Ethiopia

In October 2003, the mayors of Addis Ababa and Johannesburg formalised a sister city partnership aimed at fostering NEPAD, good governance, and social and economic linkages. The two mayors agreed to proactively engage, promote, and support each other under a programme-driven partnership involving various forms of exchange and cooperation that included

- Promoting city development and planning strategies;
- Enhancing performance management;
- Developing executive management training;
- Ensuring efficient financial management;
- Developing land and housing;
- Preventing and treating HIV/AIDS;
- Improving service delivery approaches.

Partially funded by the Cities Alliance, both cities have developed frameworks to implement their long-term visions of strategic transformation, economic growth, and poverty reduction.

Through incremental restructuring and consolidation of pre-1994 apartheid-based local authori-

ties, by December 2000, Johannesburg had put in place a democratic, unitary metropolitan council. In response to a deep-seated financial crisis in 1997 and the need to create an efficient city focused on development, the administration has undergone radical restructuring. Progressive strategic plans—notably the iGoli 2002 plan and the iGoli 2010 strategy—led to the creation of the current council structure, which comprises a strong central body, 11 regional administrations, 5 service provision utilities and agencies, and 5 corporatised entities. The next stage in Johannesburg’s development will be guided by Joburg 2030, the city’s development strategy for the next 25 years.

Addis Ababa is a city of more than 3 million people and the host city of both the African Union and the United Nations Economic Commission for Africa. Municipal government is a relatively new phenomenon in Addis Ababa: prior to the enactment of the 1994 national constitution, the city was managed as an extension of the central government. In 1997, it was granted special status as a city government, equivalent to a region under the country’s federal system. The current city administration was established in early 2003 and has begun transforming the city’s management, making it more participatory and implementing a strategic development framework and action plans as part of a long-term vision of sustainable growth and poverty reduction.

The Johannesburg–Addis Ababa Partnership Programme represents a bold initiative for sharing knowledge about mutually beneficial and sustainable CDSs for African cities. The programme will support Addis Ababa’s city government in its ongoing three-year transformation programme and the development of its long-term CDS. Johannesburg’s experience with fundamental restructuring should be invaluable to Addis Ababa’s CDS process over the next two years.

Cities Alliance members warmly welcomed the Johannesburg–Addis Ababa Partnership Programme, as a good example of cities helping each other to foster economic growth and poverty reduction.

Asia



Children in a slum, Pune, India

Despite Asia's consistent progress in poverty reduction, it is still home to 70 per cent of the world's poor. While the number of poor people has fallen from more than 1 billion to 900 million over the past decade, and the proportion of people living below the poverty line is declining, important regional variations exist. South Asia has more than 500 million poor people, of which 450 million live in India, and China, despite its remarkable economic growth and the enor-

mous strides it has made in lifting millions out of poverty, still has some 225 million people living in absolute poverty.

Against this background, it is hardly surprising that Asian cities and countries are the most active in using CDSs as a means of rethinking the city and planning for its future. In many cases, such as in China, the CDS has been used as a tool to rethink not only the city, but also to plan political and economic relationships with the city-region, which encompasses a number of other cities and their surrounding areas. Indeed, China has taken the lead in actively planning for an increasingly urban future and for using urban growth to reduce rural poverty. This message is beginning to be picked up elsewhere in Asia, which will rely on urban areas for more than 80 per cent of the region's future growth.¹⁸

In the Philippines, an active national association of cities has embraced and promoted the CDS concept, a process that continues with and without international assistance. In India, increasingly strong economic growth is highlighting the role of cities of all sizes, and the Cities Alliance is witnessing greater interest from cities wishing to undertake comprehensive efforts that would combine slum upgrading within a CDS. For its part, Thailand has forged its own model in moving towards a nationwide cities without slums programme that is likely to provide important lessons for other countries in the region.

CHINA: CITY-REGION DEVELOPMENT STRATEGIES

More than one-third of China's population of 1.3 billion is concentrated in its 59 metropolitan regions, which together account for close to 60 per cent of China's GDP. The per capita productivity rate falls dramatically outside the major metropolitan regions (Figure 3). However, the importance of metropolitan regions is not just limited to manu-

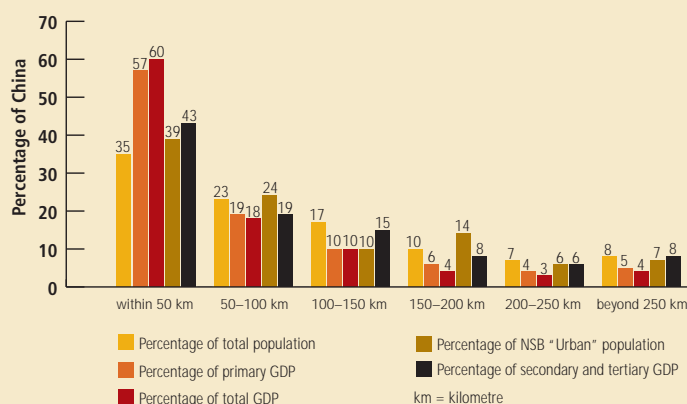


Kunming, China. © Q.T. Luong/Terragalleria.com

facturing or service activities. Surprisingly, 39 per cent of China's GDP from the primary sector is created within metropolitan regions, reflecting the proximity of high value added farming to major consumer markets and distribution hubs.

China's metropolitan regions will have a significant influence on how well the country manages its economic, human, and social development in environmentally sustainable ways. However, growth in China's metropolitan regions is relatively new and has not been addressed systematically. Municipal governments are facing serious difficulties of co-ordination across different jurisdictions and tend to be unfamiliar with analytical tools, development policies, and the most appropriate policy instru-

Figure 3. Metropolitan regions' share of population and output by distance from city centres, China



Source: CHREOD, Ltd., 'China: City-Region Development Strategies 2 Project', Vol. 1 (Ottawa: CHREOD, Ltd., April 2004, p.53).

¹⁸ Asian Development Bank (ABD), *City Development Strategies to Reduce Poverty*, (Manila: ADB, 2004, pp. 8–13).

ments for guidance and intervention at the metropolitan level.

National and local government officials are increasingly searching for alternative approaches to the official master plan approach. Five western cities—Lanzhou, Chengdu, Erdos, Zhengzhou, and Xinxiang—have developed regional CDSs that go beyond the cities’ traditional administrative borders. To keep pace with rapid urban and economic change, these CDSs introduce strategic, participatory, and flexible approaches to setting development priorities, policies, and programmes in keeping with the iterative process outlined in Figure 4.

The CDSs identify strategic governance options for addressing social vulnerability, improving environmental sustainability, managing regional growth, and financing metropolitan development strategies. For senior leaders of both Lanzhou and Zhengzhou, one of the most significant outcomes of the CDSs is enhanced public participation in the city planning process.

PHNOM PENH CDS: INCLUDING THE POOR IN THE PLANNING PROCESS



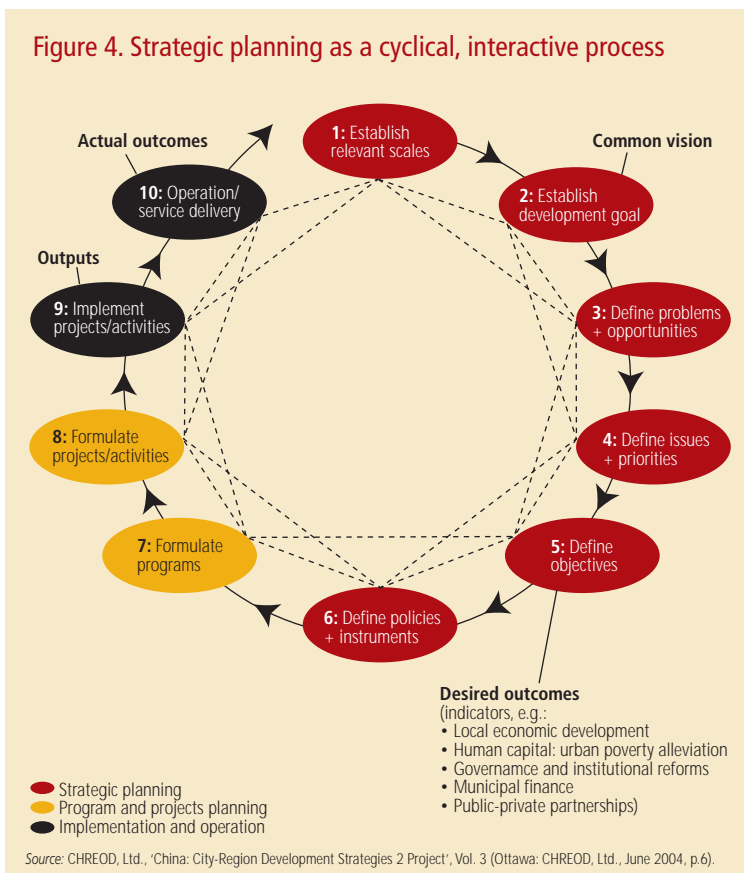
Tonle Sap River, Cambodia. © Q.T. Luong/Terragalleria.com

Nearly a quarter of Phnom Penh’s informal settlers, that is, more than 11,000 families, have been evicted from their settlements in central Phnom Penh in recent years. Of the roughly two-thirds who have been resettled, only a small percentage of families have consolidated their situation at relocation sites they have chosen and planned themselves. The rest are camping out in shacks without water, toilets, roads, or flood protection in remote resettlement colonies that are far from job opportunities, support structures, schools, and health clinics. For these households, resettlement has meant even more extreme poverty.

To improve the situation of Phnom Penh’s informal settlers and tap into the enormous potential for individual and community-based self-improvement of the living conditions of the urban poor, in 1998, the Municipality of Phnom Penh, the Solidarity for Urban Poor Federation, and the Asian Coalition for Housing Rights set up the Urban Poor Development Fund, which supports the resettlement of communities facing eviction. The Fund’s board consists of a majority of community leaders, together with representatives of the municipality, the Asian Coalition for Housing Rights, local NGOs, and other development agencies.

Complementing the Urban Poor Development Fund, in 2002, a CDS that focused on scaling up the community-driven development process was launched to help the Municipality of Phnom Penh

Figure 4. Strategic planning as a cyclical, interactive process



and those involved in city development create a sustainable institutional setup for maintaining a balanced relationship between various actors in the city planning and development process. As a result of the CDS, communities have been working together with the municipality to better understand their city, devise alternatives to relocation, and develop guidelines for unavoidable relocations and put these into practice in selected informal settlements.

In the wake of these encouraging results, the government of Cambodia has committed to providing secure land tenure and supporting in-situ upgrading until all of Phnom Penh's urban communities have secure tenure and access to the full complement of basic services. In May 2003, the government announced a major shift in its approach and committed itself to upgrading 100 informal settlements a year for five years.

In a second activity related to the CDS, the Cities Alliance, together with UN-HABITAT and GTZ approved a project in 2002 to improve tenure security for households in informal settlements in Phnom Penh.¹⁹ The four-stage proposal involved

- Announcing a moratorium on relocations and evictions for a period of nine months. This would provide the time to identify settlements that might need to be relocated and locate nearby sites for rehousing them.
- Introducing communal land rights for all those relocated and upgrading settlements for a proposed period of five years. During this time, detailed surveys would be undertaken to prepare for the next stage.
- Granting co-ownership titles in all settlements where communities can demonstrate agreed standards of good governance. For all other settlements, a further five years of communal land rights would be granted.
- Providing individual land titles to any households willing to obtain agreement from their neighbours concerning plot boundaries and meet the legal and administrative costs involved in obtaining and registering titles.

The objective of these proposals is to provide short-term security in ways that are simple to implement and encourage people to invest in home improvements. Longer-term options can then be implemented as communities' administrative capacities increase.

To date, the municipality is still involved in the first stage, and plans are under way to move to the second stage. The hope is that agreement can be reached soon, so that by the end of the project in October 2004, people throughout the city can feel secure in their homes and in the city's future.

"We first discussed our problems together and formed a committee to write down all the things we'd like to do together to improve our settlement and submitted these ideas for support. After the ideas were approved, we immediately set to work. The next step in Ros Reay is to get land titles so we can be secure here."

—Keo Yin, community leader

INDONESIA: POVERTY-FOCUSED CDS



A slum alley in Jakarta, Indonesia

Since the 1997 Asian economic crisis, when urban poverty increased sharply in Indonesia, the government has begun transferring responsibilities for a number of public services and functions to local governments. To prepare local governments for the challenges arising from urbanisation and decentralisation, the Ministry of Settlements and Regional Infrastructure, with the support of the World Bank, UN-HABITAT, and the United Nations Development Programme (UNDP), has encouraged several cities to implement CDSs. The lessons learned from these experiences led to the

¹⁹ For more details, see www.gpa.org.uk.

Indonesia's CDSs: Tangible and intangible outputs

Tangible outputs

- City profiles of the participating cities
- Better public administration and improved public service agendas, validated by the World Bank's Urban Sector Development Reform Project
- Toolkit for implementing CDSs
- Case studies and lessons learned from a selection of CDS cities
- Web site with results and best practices (www.cdsindonesia.org)

Intangible outputs

- Communication between local governments and citizens and between legislators and citizens has improved, as evidenced by the new practice of having consultations on all policy formulation matters
- Mass media support, as evidenced by the launch of a column in the local press and a talk show on local radio that allows citizens and city government officials to exchange opinions
- Civil society awareness of the benefits of participation in governance has been enhanced, as evidenced by an increase in participation rates in city forums from an average of 20 people to more than 100 and city officials' greater responsiveness to civil society

institutionalisation of poverty-centred CDSs in Indonesia's urban policy and to the recognition of CDSs as one of the primary tools for sustainable urban investment.

Nine cities were originally selected on a demand-driven basis: Bandar Lampung, Bau-Bau, Bli-tar, Bogor, Bontang, Palembang, Palu, Pangkalpinang, and Surakarta. Working closely with Breakthrough Urban Initiatives for Local Development (BUILD), a local capacity building programme, and assisted by UN-HABITAT and the United Nations Development Programme, the im-

mediate goals for five CDSs have been met. The local governments' capacities to conduct participatory processes in formulating development strategies were strengthened through the active participation of community groups, professional organisations, universities, and the media.

Five of the nine city authorities made participatory planning mandatory, drafting by-laws that recognise citizens' right to participate. Because all but two of the participating cities (Pangkalpinang and Bontang) became eligible for funding under the World Bank's Urban Sector Development Reform Project, this approach may be an indicator of the success of the CDS programme.

The programme also validates the Cities Alliance's key criteria for a successful CDS: local government ownership, links with potential investment partners right from the beginning, and a focus on implementation. The CDS programme in Indonesia was initiated at the national level, with the lead taken by a national team of consultants who worked closely with multilateral development partners, while the involvement of the World Bank as a partner right from the start of the programme resulted in the availability of concrete investments for implementation.

LEAGUE OF PHILIPPINE CITIES: CDS HAILED AS AN EFFECTIVE TOOL

The Philippines ranks among the most rapidly urbanising countries in the world. Currently an estimated 52 per cent of the population, or 40 million people, live in urban areas, and the urban population is expected to increase to 80 per cent before the middle of the century. This rapid urbanisation rate is largely due to rural to urban migration, which has resulted from a perception that urban areas are beacons of opportunity. In 2000, urban areas accounted for 75–80 per cent of the country's GDP, illustrating a dramatic shift from an agriculture-based economy over the last 40 years.

To help local governments prepare more efficiently for the challenges of rapid urbanisation,



UN-HABITAT and the World Bank helped the League of Philippines Cities design and implement CDSs. This programme is remarkable for having won the commitment and involvement of a large number of city mayors to a participatory process of preparing city plans and identifying investments for enhancing growth and reducing poverty.

The enthusiasm of the participating mayors and city officials is best expressed in the 2003 Philippine Cities Declaration, which was signed in December 2003 by representatives of almost 40 cities in the presence of President Gloria Macapagal Arroyo. The declaration emphasises the need for a comprehensive and integrated approach towards urban management and outlines the necessary steps the League and the cities should take to ensure the inclusion of the urban agenda into the medium-term Philippine Development Plan.

Horizontal learning among cities proved to be a powerful feature of the CDS programme. As summarised by those responsible for the CDS in Tagaytay City: 'If they can do it, why not us?' The League of Philippines Cities has documented the learning and sharing experience of the CDS programme extensively on the Philippine City Network's web site (www.cdsea.org). The League created the facility in response to the growing demand from municipal leaders and practitioners for a forum for discussion and a way to share knowledge, and through such dialogue to develop more effective solutions for urban problems. The network has grown to include 40 cities throughout the Philippines.

CDS achievements in the Philippines

- A broadly based participatory process for visioning and preparing macro-level city strategies and investment plans was developed and implemented in 31 cities.
- The strategies were prepared entirely by the cities themselves, using local staff that had little or no previous exposure to such processes.
- The cities' mayors played an active role during all stages and took full ownership of the process and the resulting strategies.
- A poverty profiling and analysis component was developed and used to prepare the strategies.
- The knowledge management web site is widely used and has toolkit materials useful not only for the Philippines, but for other countries.
- The Philippine programme has been recognised by other countries, which have regularly invited mayors from the Philippines to share their experiences on a bilateral basis.
- A dialogue was established among mayors facing similar issues that facilitated learning and the adaptation of best practices.
- The decentralisation process of the Local Government Code has been strengthened by the exposure of new mayors to a participatory process of strategy preparation.
- The CDS process has led to a League of Philippines Cities General Assembly resolution to add an urban component to the Medium-Term Philippine Development Plan that highlights the critical role of cities in national economic development.

The Community-Led Infrastructure Finance Facility



Community members involved in constructing the third housing block at Sunnuduguddu, Bangalore, India. The development at Sunnuduguddu is supported by the CLIFF programme.

In the past year, most Cities Alliance activities have reinforced and further emphasised the central importance of a sustainable finance strategy in long-term slum upgrading and urban development programmes. Notwithstanding the variety and complexity of different approaches to achieving such a strategy, two essential trends stand out:

- Achieving scale and sustainability requires forging new relationships between city governments, the urban poor, and the private sector. Few, if any, examples are available of any of these parties achieving development at scale on their own.
- Emphasising the catalytic role that international development assistance can play is important, but the bulk of the resources needed for long-term development is often available through the domestic market using a combination of improved municipal financial management, domestic capital markets, and slum dwellers' own efforts and resources.

Managed by Homeless International under the auspices of the Cities Alliance, the Community-Led Infrastructure Finance Facility (CLIFF) is designed to help organisations of the urban poor implement and scale up community-driven infrastructure, housing, and urban services initiatives at the city level in conjunction with municipal authorities and the private sector, including commercial banks and landowners.

CLIFF provides funding for locally developed projects in a manner designed to leverage funds from other sources and recoup the original capital for reinvestment. It has been designed as a 10-year initiative,

with the pilot phase, which is being carried out in India, now in its third year. The pilot is being implemented by the Society for Promotion of Area Resource Centres and Samudaya Nirman Sahayak in partnership with the National Slum Dwellers' Federation, Mahila Milan. Given the innovative and somewhat unusual nature of CLIFF, a significant effort was necessary to overcome a number of institutional and administrative obstacles, including the need to ensure a smooth flow of funds able to support the rapid development of projects. This has tested the commitment and adaptability of all stakeholders to learn and adapt practices in the interests of making CLIFF and similar community-driven development initiatives work for the urban poor.

CLIFF offers the following forms of financial assistance:

- Technical assistance grants, which providing assistance to communities to package bankable projects.
- Capital loans to leverage public and private resources.
- Knowledge grants to share lessons learned.

In addition, Homeless International is sometimes also in a position to complement CLIFF through the provision of financial guarantees to banks.

CLIFF has now been able to turn its attention to two specific challenges that need to be addressed to achieve scale delivery in one of the world's most vibrant cities, Mumbai, namely:

- Working with municipal and state authorities to improve the use of state subsidies to municipalities to support community-driven and other initiatives.
- Engaging the commercial banking sector to identify ways in which finance and credit could be made available to support and enhance slum upgrading and other activities.

Some progress has been made on the finance side, with two separate banks becoming involved: one providing loan capital and the other a loan guarantee to the Mumbai Municipal Corporation, both for CLIFF-related projects. However, at the moment viewing these as exceptions rather than as the beginnings of a trend would be appropriate; nevertheless, formal deliberations with the commercial banking sector have recently increased.

The first steps to learn from the initial lessons from the CLIFF pilot in India are now being undertaken and to begin the process of expanding CLIFF, most likely to Kenya.

Provision of universal sanitation in urban India



A public toilet, India

Three of the MDGs depend directly on the provision of sanitation. Few countries have the sanitation challenge faced in India, where the lack of adequate facilities leads to the sight of bare behinds along railway tracks and in other public spaces. Children squat anywhere, while for reasons of safety and modesty, women often wait until dark to perform their natural functions, leading to widespread gastric and intestinal disorders among poor, urban women.

Most Indian towns generally have two forms of public toilets: those that cost nothing to use, which are few and normally so badly maintained by the city authorities as to be unusable, and those that cost Rs 1 per use per person, which is far too expensive for poor families.

In response to this situation, the government of India is providing more than US\$100 million through its *Nirmal Bharat Abhiyan* (National City Sanitation, or more literally, Purifying India Project) for the construction of community toilets in city slums around the country. To address the problem of long-term maintenance, local authorities are required to build toilet blocks in partnership with slum communities, which will ensure community control and maintenance, while affordable monthly passes for families will provide huge savings in sanitary staff costs for the local government corporation.

In May 2004, senior officials of the Indian Urban Ministry met in the city of Pune, Maharashtra, with elected representatives, slum dwellers, and representatives of NGOs from more than 20 cities to endorse a declaration for the provision of universal sanitation in urban India. Three key agencies, the Society for Promotion of Area Resource Centres, the Administrative Staff College of India, and Yashada are going to work with the Water and Sanitation Programme, with financial sup-

port from the Cities Alliance and the Swedish International Development Cooperation Agency, to turn this declaration into reality.

Pune, a city of nearly 3 million inhabitants, has already demonstrated how partnerships between communities and local governments can provide citywide sanitation for low-income communities. Under the guidance of the city's commissioner, and in partnership with NGOs and slum federations, more than 400 toilet blocks with more than 10,000 seats were built at a cost of some US\$8.5 million: more toilet blocks in two years than had been built during the past 30 years. With an average of 50 people per toilet seat, more than 500,000 slum dwellers have benefited from this programme, making Pune a model for the Purifying India Project.

With community involvement, these toilet blocks are well ventilated, well lit, and colourful, with separate areas for women, men, and children and special facilities for the disabled. The most important features are, however, probably on the roof: large tanks ensure a consistent water supply and a self-contained residential unit for the community-hired caretaker.

Innovations in design were matched by innovations in implementation. Construction managed by slum women ensured good quality work and cost savings, as well as women's empowerment. As Savita Sonavane, a woman deeply involved in the programme in Pune, reported: 'When we started ...we didn't know how deep to dig the pits, the plastering, the foundation depth, the columns, ...the masonry, what the plinth level should be—we had no idea how to go about such things. We didn't know how to read the architect's drawings. However, once we got involved, we started to understand all these complex things.'

The commissioner, Ratnakar Gaekwad, reported that initial hostility by some local politicians actually turned to active support: 'One of the Councillors said that nine toilet blocks had been constructed in his Ward when he could not even get one block constructed in the previous five years. The Councillor said that during election time, all he would have to do was to stand outside the toilet blocks every morning, with folded hands, and that would be sufficient propaganda for him!'

In the two months following the Pune meeting, construction had already started in three other cities around the country and active dialogue had been taken up by authorities in five states: Tamil Nadu, Karnataka, Maharashtra, Andhra Pradesh, and West Bengal. By facilitating a new partnership between NGOs, slum dwellers, and city authorities, the Indian government may have found part of the solution to its sanitation crisis.

MONGOLIA: ULAANBAATAR ASSISTS WITH CDS ACTIVITIES IN SECONDARY CITIES



Mongolia is rapidly urbanising, with more than 57 per cent of its population now living in urban centres. Though predominantly nomadic, Mongolians are migrating to urban centres in larger numbers in part to escape the harsh climatic conditions that have killed off their livestock in recent years. Most have moved to Ulaanbaatar and to smaller urban centres, such as Erdenet, Darkhan, Khovd, and Choibalsan.

To better manage the impact of this urbanisation and to realize its economic potential, Ulaanbaatar has already successfully implemented a participatory CDS with support from the World Bank. Now, working with the World Bank and the Asian Development Bank, the Municipality of Ulaanbaatar will act as a resource city for the two major secondary cities, Erdenet and Darkhan, which are seeking to replicate the Ulaanbaatar CDS in their efforts to develop a long-term vision of economic growth and poverty reduction.

The economies of Mongolia's secondary city economies are extremely small in comparison with that of the capital, Ulaanbaatar. City officials of Erdenet and Darkhan plan to develop a long-term development vision that is focused on their competitive advantages and provides support to the surrounding areas and to vulnerable groups in the cities.

CDS activities in Mongolia recently received a significant boost with the creation of the Mongo-

lian Association of Urban Centres. The association was formed to facilitate cooperation between urban centres, exchange information, and facilitate urban development and cooperation with local government associations in other countries. The association is expected to contribute significantly to sharing the experience and results of the CDS and strengthening the capacities of local governments.

Eastern Europe and Central Asia



A slum in Toopana, Macedonia

The Cities Alliance has a modest portfolio in this enormous and diverse region, which has seen dramatic changes over the past decade. One of the legacies of planned economies is that a higher proportion of their populations lives in urban areas than is typical for countries at their income level. In addition, some of the countries, Russia, for example, are facing significant absolute declines in their overall populations. Rural to urban migration is minimal, whereas ur-

ban to urban migration persists in some countries. On paper, the region has no striking shortage of housing stock, yet this apparent availability masks serious quality and management issues. Infrastructure may be in place, but may be so poorly maintained and erratic that this region has the unique challenge of preventing the emergence of slums among its existing housing stock.

Urban poverty on the rise in secondary cities in ECA

Urbanisation rates in ECA are relatively high, ranging from 40 per cent in most of the central Asian republics to 70 per cent in the Slavic countries. A recent World Bank report shows that urban poverty is a significant problem in the region and that the poverty profile in ECA cities differs from that in other regions.²⁰ This has been exacerbated by countries' transition from centrally planned economies to market economies, which has created a unique set of urban problems in the region. Although infrastructure and energy services were widely available, maintenance of the infrastructure facilities and services has deteriorated to the point where reliability and even access are becoming significant welfare issues.

SOFIA: EXAMPLE OF A CDS IN A COUNTRY IN TRANSITION

The Sofia CDS is a good example of how a city in the ECA region can manage the unique set of urban problems of an economy in transition. The strategy provides a basis for sustainable development of the local economy and the welfare of city residents. Developed by Sofia's city management with support from World Bank staff, the strategy builds on recommendations from residents and members of the business community provided through workshops, surveys, and consultations. The participatory process has enabled the municipal administration to identify needed improvements in five broad areas: the economy, services, urban struc-

²⁰ World Bank, 'Dimensions of Urban and Infrastructure Poverty in ECA', discussion paper (Washington, DC: Eastern Europe and Central Asia Region, Energy and Infrastructure Unit, 2004).

ture, finance, and municipal management and governance. To help the city's administration effectively implement its long-term strategy, a programme action matrix details priority actions and objectives to combat poverty, foster the development of the local economy, and improve the livelihoods of city residents during the next three to five years.

However, the overwhelming majority of urban residents in ECA live in secondary cities and not in capital cities like Sofia. The World Bank report concludes that in most ECA countries, the incidence of poverty in secondary cities is significantly greater than in the capital cities—two to four times higher—and in some cases, the incidence of poverty in secondary cities is similar to or worse than in rural areas.

LATVIA: EIGHT CITIES DEVELOP CDS



In Latvia, the incidence of poverty is particularly marked outside the capital, Riga, and is among the highest of any of the transition countries. The Cities Alliance, through its members UN-HABITAT and the World Bank, is currently helping eight cities in Latvia develop their CDSs to support local economic development and to promote an entrepreneurial and competitive economy. Ultimately, the programme aims to support Latvia's poverty reduction strategy, which aims to halve the number of poor by 2015. The eight cities have focused their respective CDSs on the development of economically and socially inclusive urban societies and productive and competitive urban economies by

- Devising local economic development strategies and action plans to encourage a healthy business environment and create conditions that facilitate the establishment of new businesses and the generation of employment.
- Improving governance structures in the cities, focusing on stakeholder participation and partnerships between local governments, civil society, and the private sector.
- Increasing the cities' capacity to explore all potential follow-up investments, including public-private partnerships and the European Union funds available for Latvia.
- Building capacity and capability within the

cities and regional development agencies to ensure scaling up and replication.

With the implementation of the CDS, which include mobilising additional resources from local stakeholders, the cities expect to be prepared to take advantage of the unique investment opportunities that the European Union's structural funds and Cohesion Fund offer. These funds are available for the new member countries of Central and Eastern Europe and need to be committed by December 31, 2006. After all, many of the funds to be supported by the structural funds will have to be designed and implemented at the local government level.

Urban poverty and slum prevention in Romania

Growing evidence in ECA's transition countries indicates that the urban poor are becoming more concentrated in the deteriorating housing stock of established neighbourhoods, in poor locations, and in low-quality housing that is inadequately maintained and unserved. Preventing the emergence of slums among existing housing stock presents a particular challenge for policymakers in the region.

Ana Vasilache, a member of Cities Alliance Policy Advisory Board, describes the situation in her country, Romania:

As many as 400,000 people, including up to 115,000 children, are estimated to be living in extreme poverty in Romania's cities. The incidence of poverty is particularly acute amongst the historically marginalised, ethnic Roma population.

To decision makers these figures may not look dramatic, but it is only a matter of time before they swell. With targeted policies, it is still possible to prevent problems from spiralling out of control.

While statistical data have determined Romanian rural areas to be poorer than urban areas, these data measure standard poverty rather than the extreme poverty that is found primarily in cities. Romania's urban areas of extreme poverty emerged after 1990, physically concentrated and socially segregated, in four general categories:

- **Historical areas located in city centres**, where poor families live in degraded, nationalised, poorly maintained and cheaply rented old buildings;

- **Former industrial areas**, where low quality apartment blocks built near factories prior to 1990 have remained since factory closures without water, heating or electricity, housing those unable to leave as well as equally poor and desperate newcomers;
- **Neighbourhoods with low quality apartment blocks**, quickly constructed during the socialist period which have turned into vertical slums, where poor families are not able to pay their maintenance costs; and heating, water and electricity are often cut by public utility providers; and
- **Informal, illegal settlements located near big city landfills**, where poor people who lost both jobs and housing with the decline in industry or job seekers migrating from villages, live off nearby landfill resources.

Existing policies guaranteeing the minimum wage are important but offer little support to the poor who do not legally exist—such as those who do not have ID [identification] cards or birth certificates.

Romanian decision makers urgently need to deepen their understanding of the harsh realities and trends of this country's cities to inform their policies. They can learn from countries where policy failure has allowed problems to spiral out of control; or, likewise, from those countries where creative approaches have succeeded in improving the quality of life of the once marginalised urban poor.

Source: Anna Vasilache, member of the Cities Alliance Policy Advisory Board.

Latin America and the Caribbean

Senior Adviser to World Bank President, Mamphele Ramphela, in hat, Paulo Souto, Governor of the state of Bahia, and Mario Gordilho, President of CONDER, with other city officials and children during a visit to the Novos Alagados, Ribeira Azul, Brazil



Latin America and the Caribbean is the most urbanised of the developing regions, with 75 per cent of its population of 523 million living in cities in 2000. While it has a number of megacities, more than 60 per cent of the population lives in smaller cities of 50,000 people or more.²¹

Nowhere else in the world is the urbanisation of poverty more evident, and the increasing inequity and disparity threaten stability and sustainable development. To halve the number of people living in extreme poverty, the region needs to grow at 3.2 per cent per year for the next 20 years. It is the region's dynamic cities that hold promise in this regard. Strikingly, the informal sector accounts for more than 70 per cent of new jobs in the cities.

One of the positive recent trends in the region has been the growth of democratisation—a rapid and remarkable change from 1980, when only three countries had mayors elected by popular vote—and decentralisation, which has seen the sustained transfer of

²¹ Inter-American Development Bank (IDB), *The Challenge of an Urban Continent* (Washington, DC: IDB, 2004).

functions to local governments. However, the latter trend started from an extremely low base, and currently local governments handle a mere 15 per cent of government expenditures.

During the last year, the region's associations of local authorities have expanded and strengthened their network. The Latin American Federation of Cities, Municipalities, and Associations (FLACMA) now also serves as the Latin American Regional Section for the newly formed UCLG. This consolidation of the region's associations of municipalities provides scope for local authorities to have a stronger voice in the policy dialogue process, as well as for strengthening learning and knowledge sharing among cities in the region.

The Cities Alliance has its strongest national portfolio in Brazil, a country with strong local governments noted for their innovation and for the strength of civil society. Cities like São Paulo, Recife, Rio de Janeiro, Porto Alegre, and Salvador have all introduced policies and programmes that have attracted the attention of urbanists from around the world. Cities Alliance members were delighted when Brazil became the first developing country to join the Cities Alliance at its 2003 Annual Meeting in São Paulo. Brazil's participation is expected to have a significant impact on the deliberations of the Cities Alliance Consultative Group as it brings its country experience of rapid urbanisation and its long history of slum upgrading to bear on the Alliance's knowledge sharing and policy dialogue on urban poverty reduction.

The Cities Alliance portfolio has also been expanding in the region with new activities recently approved in Chile, Colombia, and Peru.

CHILE: LOCAL DEVELOPMENT STRATEGIES TO OVERCOME POVERTY

Chile has considerable experience with implementing social policies and programmes and designing instruments for social investment. Notwithstanding the successes of its social programmes in recent decades, their impact on poverty reduction has been decreasing. Despite the increasing participation of

municipal administrations in the execution of the central government's social programmes, it is acknowledged that their impact could be strengthened if they were designed as an integral part of participatory local development strategies.

Housing is one of the key components of the government's social policy. Despite a broad array of instruments and programmes intended to meet the demand for housing, reaching the poorest families has remained a challenge. Often the provision of social housing has not been integrated with other aspects of urban development, thereby impeding its impact and sustainability.

In recent years, Chile's Ministry of Housing and Urbanism has developed the Programme for Dynamic Housing Without Debt, which has launched a series of initiatives to implement shelter programmes that reach the poorest sectors of the population. The programmes include the Fund for Solidarity Shelter Projects, initiated by the ministry and the Chilean Association of Municipalities, whereby shelter projects awarded funding are implemented in close cooperation with municipalities to ensure their integration into the overall urban and local development context.

The Cities Alliance, through its members UN-HABITAT and GTZ, is helping local governments and the Ministry of Housing and Urbanism to prepare and implement the initial stages of the Programme for Dynamic Housing Without Debt, focusing on urban municipalities in the Valparaíso and Bío Bío regions and the Metropolitan Region of Santiago. Supplementing the initial investment budget of US\$36 million, the activity will develop tools and processes to strengthen the capacity of these municipalities, their regional associations, and local stakeholders to participate in the implementation of housing programmes within the context of integrated urban development strategies.

RIBEIRA AZUL PROGRAMME MOVING TO SCALE IN SALVADOR AND BAHIA, BRAZIL

The slum upgrading programme of the state of Bahia, Brazil, is among the most successful with

Cities Alliance members visit Ribeira Azul during the Consultative Group Meeting held in São Paulo in October 2003



which the Cities Alliance has been engaged. It has been characterised by

- Being scaled up to citywide and statewide levels;
- Using a participatory, integrated, and area-based methodology;
- Involving a broad group of local and international partners;
- Focussing on monitoring and impact evaluation.

Building on the experiences of a slum upgrading programme begun in the mid-1990s and affecting 15,000 slum dwellers, in 1999, the government of Bahia teamed up with Cities Alliance members, the Italian government, and the World Bank to scale up its efforts to improve the lives of 150,000 slum dwellers living in 40,000 households in the Ribeira Azul area of Salvador, Bahia, the state's capital and largest city. Approximately 45 per cent of Salvador's 2.7 million inhabitants live in squatter settlements or informal land subdivisions.

During the past year, the government has taken bold steps to continue scaling up its efforts via a new, statewide programme—*Viver Melhor II*—that will affect seven other slum areas in Salvador and launch citywide upgrading programmes in other cities throughout the state. The government of Bahia is working with the World Bank to prepare a new US\$96 million loan as part of a US\$160 million financing package to support this effort.

The upgrading methodology includes physical interventions (water and sanitation, roads, housing, and so on) as well as regularising land tenure, and a package of social interventions, including the provi-

sion of health care, education, day care, job training, and support to local cooperatives; the improvement of homes; and the building of social equipment. Thus the programme takes aim not only at target 11 of the MDGs (to improve the lives of slum dwellers) but also at many of the other MDGs. The methodology also features extensive community participation and a focus on the community as a whole.

Another feature of the programme is its broadly based partnerships. Through the Cities Alliance, the government of Italy provided more than €5 million in grant funds for technical and social assistance activities for the ongoing Ribeira Azul programme and has pledged a further €5 million for the new statewide programme. The World Bank has provided extensive technical assistance for the Ribeira Azul programme and is helping the government of Bahia design and prepare the statewide programme.

An international NGO, *Associazione Volontari per il Servizio Internazionale (AVSI)*, has administered most of the Italian grant funds. This NGO has worked in partnership with the state's Urban Development Agency, *CONDER*, for more than 12 years and has contributed millions of dollars for social infrastructure, including schools and day care centres. It works closely with more than 60 local NGOs, community-based organisations, and cooperatives to help it deliver social and technical assistance.

The Bahia government has also strongly supported the efforts of all the partners involved to design an ambitious monitoring and impact evaluation plan that will inform programme implementation and future programme design. AVSI and its partners are working closely with the University of Trento (Italy) on this initiative, and the World Bank is also drawing upon this work to strengthen its approach to the impact evaluation of slum upgrading.

Throughout this programme, the Cities Alliance and its members have played a catalytic role in ensuring the replication and scaling up of the methodology, building the international partnerships, and emphasising the developmental impacts. The scaling-up process from community, to area development, to citywide and now statewide levels

has been made possible by the coherent efforts of the broad range of development partners who are directly contributing to these efforts. Such scaling

up and co-operation are primary objectives of the Cities Alliance.

Community-based approaches to slum upgrading take root in Salvador, Brazil

For most of his 32 years as an engineer in the private and public sectors in Salvador, Jurandir Fonseca built roads, bridges, sewerage lines, houses, and office buildings, but the past few years of working on the Ribeira Azul programme have led him to a new and broader perspective of his job: helping people improve their communities.

'When I first joined the programme', Fonseca recalls, 'I felt like just a technician'. But after he started living and working with the slum communities that the programme was upgrading and associating with the social sector professionals also involved with the integrated social and physical intervention, Fonseca notes, 'I started getting involved in the community's problems, but no longer as an outsider'.

'I realised that I just couldn't put in a street or a house', says the engineer. 'With a broader understanding, I realised there were people involved. I just couldn't put a road through their house'.

Fonseca has learned that 'you need to build with them [the community], to involve them far in advance during the planning process'. He has gained a greater understanding of the needs and demands of the families in the programme area. 'I am becoming a social engineer', he proudly declares.

The Ribeira Azul programme in Salvador is not only improving the lives of 150,000 slum dwellers, but is also helping transform the urban development agency that is leading the slum upgrading programme. As co-director of the Technical and Social Assistance Project for Ribeira Azul, the US\$5 million assistance project supported by the Cities Alliance and the Italian government, and as a special adviser to the president of CONDER (Bahia's Urban Development Agency), Fonseca is in an excellent position to help influence the agency. He notes that the integrated methodology of the Ribeira Azul programme is communicated to many of the other 750 staff of CONDER, including nearly 200 engineers and architects, through periodic internal seminars and meetings. Other staff will apply the Ribeira Azul methodology as part of a new, statewide slum upgrading programme currently under preparation.

The climate of working hand-in-hand with the slum communities has been instilled by CONDER's president, Mario Gordilho, a prominent businessman from Salvador who was asked to lead the agency five



Fátima Cardoso and Jurandir Fonseca

years ago. Described by the governor of Bahia as 'an engineer with a social touch', Gordilho has positioned CONDER as a 'school to train public managers for Bahia'.

The changes in CONDER are obvious to Fátima Cardoso, the social work coordinator for Ribeira Azul. 'This focus on the social aspects is no longer seen as a mere way to mediate conflicts between the community and the institutions involved', she observes. 'Now that we have learned this lesson, our work integrates technical aspects and a constant effort to accompany the community in a process of identification of its own needs'.

The slum communities involved have responded with high levels of participation in the development process, reports Cardoso, although some community leaders voice the desire for even more engagement.

Fonseca cites several lessons learned from the programme:

- We have learned how to bring a project up from the community rather than down from the technician.
- We have learned to be more patient and to listen. We always thought we needed to impose, but we now know we need to listen and learn from the community.
- Community involvement also has its risks, as people can be motivated politically to obtain more power and assets for themselves, rather than for the good of the community.

CDS FOR THE RECIFE METROPOLITAN REGION

The Recife Metropolitan Region, which comprises 14 municipalities, is the fourth largest metropolitan region in Brazil and the largest in the Brazilian northeast. Located in the state of Pernambuco, one of the poorest regions of the country, 41 per cent of its 3.3 million inhabitants live below the poverty line. Unlike other metropolitan regions of the Brazilian northeast, Recife’s economy is stagnant and its per capita income has remained the same for the last 20 years.

Recife’s problems are similar to those of most of Brazil’s other metropolitan areas and big cities. Extremely unequal income distribution, high concentration of poverty, high crime and violence, high unemployment, inadequate housing, water and sewage problems, and bad quality of public transportation are among the most serious issues Recife’s inhabitants face.

To better prepare the metropolitan region to deal with these problems and to take advantage of its tourism potential and availability of land and natural resources, the Metropolitan Area Authority, supported the development of a long-term vision and alternative scenarios for Recife’s economic future through the preparation of a CDS.

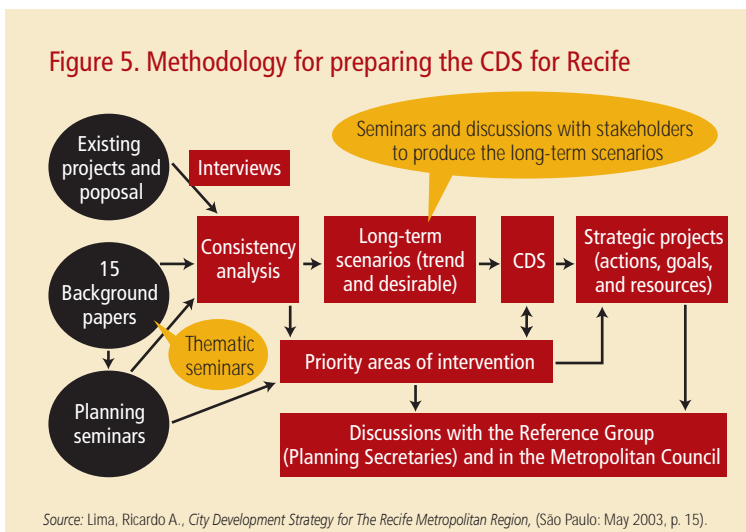


The Recife CDS was prepared by the political and technical organisations responsible for the development of the metropolitan region, namely, the Metropolitan Development Council and the Metropolitan and State Planning Agency in partnership with Brazil’s renowned Applied Economics Research Institute. The Institute wanted to test the CDS as an important tool for promoting economic growth and poverty reduction not only for Recife, but also for the 50 other metropolitan regions in the country. On the basis of a series of analytical reports covering the socioeconomic background and social and infrastructure issues, a regional metropolitan strategy was formulated that identified 20 strategic, priority investment projects (Figure 5).

The CDS has resulted in significant mobilisation of stakeholders. Based on a thorough analysis of the most important economic sectors, stakeholders discussed long-term trends and prioritised strategic actions. The proposed well-defined and viable strategy led to a comprehensive urbanistic plan that was approved by the Metropolitan Development Council.

Simultaneous with the preparation of the strategy for the development of the Recife Metropolitan Region, the largest World Bank slum upgrading project for Latin America, Pro-metropole, was prepared and initiated with US\$84 million worth of investment. The substantial synergy between the metropolitan development strategy and the upgrading project helped shape the preparation of another World Bank investment in the Recife region, the Capibaribe River Valley Project, which focuses

Figure 5. Methodology for preparing the CDS for Recife



Source: Lima, Ricardo A., *City Development Strategy for The Recife Metropolitan Region*, (São Paulo: May 2003, p. 15).

on basic infrastructure in most of the slums of the municipalities of Recife and Olinda.

As a result of the success of the Recife CDS, several other metropolitan regions in Brazil have indicated their interest in initiating a CDS process.

CITY NETWORKS FOR DEVELOPMENT AND SOCIAL INTEGRATION, MISSOES REGION, BRAZIL



During a May 2004 regional seminar organised by UN-HABITAT's Urban Management Programme in San Miguel das Missoes, Brazil, delegates from small and medium municipalities in Argentina, Brazil, Ecuador, and Mexico discussed the implications of increasing globalisation for their cities and how to be better prepared to deal not only with the resulting increases in unemployment and poverty, but also with its potential benefits.

The experience of the Missoes region in southern Brazil, where the shift to export-oriented, monoculture farming of transgenic soja has impoverished small-scale farmers, is particularly instructive. The region's poor municipalities (25 municipalities with a total of 270,000 inhabitants) have been unable to meet the demands of a population reduced to poverty.

In response, the state government, the Association of Missoes Municipalities, and local stakeholders, with support from the Urban Management Programme and the Cities Alliance, have formulated a micro-regional plan for economic development, poverty reduction, and inclusion based on

the notion that strengthening (or creating) city networks is central to the integral development of any region.

After an initial period of raising the awareness of all the actors, more than 60 proposals have been discussed in depth not only by the public and private partners traditionally involved in such exercises, but also by those frequently excluded: the poorest, the indigenous, the rural workers, the women. To facilitate the process, five commissions have been established on formal sector development, informal sector development, municipalities as promoters of economic development, the environment as a job creating opportunity, and gender and ethnic equity. Each commission assessed proposals against common criteria and selected those to pursue by consensus.

This resulted in 14 cross-cutting projects being chosen for an action plan that was grouped into three categories: initiatives for strengthening local capacities, projects to generate labour and income, and projects to improve the region's economic and social structure. Funds to cover their estimated costs of about US\$5 million were identified at the national, state, and local levels from both the public and the private sectors.

Among other innovations, a participatory public-private entity, hosted by the Association of Missoes Municipalities, was formally established to manage the action plan and its implementation. With demonstrated success in preparing the regional council for the implementation of the national Fome Zero programme to combat hunger, the national government has expressed its intent to support the Missoes' action plan as an example of what could be replicated elsewhere in Brazil.

The small cities of the Missoes region provide positive lessons about the possibilities for devising alternative development models for regions excluded from globalisation. Of particular note for many small and medium cities in Latin America and the Caribbean is the significance of active participation by all urban actors as a critical starting point.

Middle East and North Africa



Housing in Tangier, Morocco

As reflected in our *2003 Annual Report*, a number of countries in the Middle East and North Africa are making concerted progress towards addressing the cities without slums MDG. Tunisia has, possibly, come closest to achieving this goal, and Jordan, Mauritania, and Morocco, which is in the process of operationalising its comprehensive Villes Sans Bidonvilles programme, have also made notable progress. Iran has recently adopted a framework policy to promote urban upgrading in its cities.

Cities Alliance activities in the region continued to expand this year, with new activities approved and under development in Egypt, Jordan, Morocco, and Yemen, as well as activities undertaken in partnership with the Arab Urban Development Institute (AUDI) that will have an impact on the entire region.

PROMOTING PARTICIPATORY UPGRADING IN ISMAILIA, EGYPT



Ismailia is situated some 120 kilometres northeast of Cairo and was the administrative centre for the construction of the Suez Canal. Its civilian population was evacuated after the 1967 war, returning after the 1973 conflict. The destruction from the war left many returnees with few options other than to squat on vacant land and fend for themselves.

The government of Egypt's Master Plan (1974–76) prioritised the provision of infrastructure, allowing for private and owner-builder provision of homes. Subsequently, the Ismailia Governorate undertook additional upgrading efforts with

support from the DFID and, from the late 1980s, UN-HABITAT.

In 1999, the governor of Ismailia approached the Cities Alliance, with support from UN-HABITAT, for assistance with planning and designing the upgrading of two informal areas surrounding Ismailia's Lake Timsah: El Hallous and El Bahtini. This activity was largely driven by the governorate with the support of local counterparts from the Sustainable Ismailia Governorate Project. Its success was due in large part to the fact that the project allowed for continuity and incorporated local knowledge accumulated from lessons learned in the past. The Cities Alliance activity has helped consolidate the governorate's upgrading strategy.

For the communities, the participatory process has given them a role and a voice in the upgrading programme. Possibly the biggest impact of the upgrading on the families affected will be secure tenure. The impact of this security is already observable in the large amount of house consolidation that is currently under way in the two communities.

The governor, convinced by the results of the preparatory work, moved quickly to start the upgrading. He took the matter to the Ministry of Planning and was instrumental in securing a budgetary allocation in the first National Five-Year Plan. The governor has indicated his priorities by establishing the High-Level Committee for Slum Upgrading, with a clear emphasis on participatory processes, which are flourishing in Ismailia.

As a result of these activities, the governorate and the UNDP have initiated a participatory approach for the physical and social upgrading of the two settlements in 2003–05. The Italian government has facilitated a debt swap that will leverage about US\$3.5 million to support the upgrading process in the two neighbourhoods.

The success of the Ismailia project has contributed to raising the profile of upgrading on the government's agenda, while the governorate has signalled its intent to upgrade all informal settlements within its jurisdiction.

URBAN UPGRADING IN IRAN



Zahedan slum, Iran

In September 2002, the government of Iran and the National Habitat Committee applied to the Cities Alliance for assistance with the development of a national approach to slum upgrading. With the support of the World Bank, the request was presented as a desire to move from isolated, project-based activities to participatory, citywide programmes across all the urban areas of the country. To this end, a modest Cities Alliance grant was approved for the Ministry of Housing and Urban Development to facilitate a national dialogue on slum upgrading to formulate a new national policy approach.

Some 21 per cent of Iran's population of 65 million lives below the national poverty line. With more than 65 per cent of the population already urbanised, this poverty manifests itself physically in informal settlements and slums around cities and towns. The Iranian government anticipates that if current trends persist, the number of people living in informal settlements will double during the next decade.

Local governments have not, however, been in a strong position to respond to these challenges: even though the Iranian constitution assigns major roles to elected local councils, this provision has not been comprehensively implemented. Recently, the process of decentralisation has gained momentum and is likely to be the main thrust of the Fourth Development Plan. This process will also need to improve upon current institutional arrangements,

which are characterised by fragmented decision-making and responsibilities, resulting in multiple and disjointed housing programmes.

Nevertheless, a sound start has been made with the Iranian Cabinet's adoption of a national strategy for enabling and regularising informal settlements, the most tangible output of the Cities Alliance assistance. This policy statement is notable for the clarity with which it identifies the main cause of informal settlements: failures of policy and governance:

'In reality, the creation and expansion of informal settlements is either the direct result of ineffective current macro policies pertaining to the provision of housing and related services for lower-income groups or the failure of such existing policies, which is exacerbated by abrupt population displacement caused by natural disasters or war. Weak urban management, profiteering, and contradictory decisions in allowing or resisting such settlements at the micro level further compound the situation'.²²

The policy response to this situation takes, as its starting point, two principles of the Iranian constitution: Number 3, which refers to the creation of a suitable environment for improving ethics, eradicating discrimination, and ensuring equitable conditions for all citizens, and Number 31, which refers to the universal right of all to suitable shelter, with priority to be given to the needy.

From this beginning, the policy document outlines the following three main objectives:

- The provision of a safe, healthy living and working environment that secures human dignity, faith, and social participation in an inclusive and sustainable manner.
- The provision of accessible and affordable infrastructure and basic services for all so as to reduce differences in the quality of life in the settlements and in the rest of the city.
- The preservation of the environment and of Iran's cultural heritage through participation by

²² The editors have made minor, nonsubstantive adjustments to the text, which was translated from Farsi.

residents of the settlements in decisionmaking and local operations.

The policy document then outlines a series of guiding principles that focus on, among other things, the need to revise current policies, use local resources, recognise secure tenure, and support the roles and duties of local city management.

This policy statement constituted the framework for a recently negotiated US\$80 million World Bank loan to Iran designed to support the implementation of an integrated approach to upgrading informal settlements and lay the foundations for more fundamental housing sector reforms over the next five years.

ROLE OF CDS IN MOROCCO'S TETOUAN REGION



Koraat Sbaa neighbourhood, Tetouan, Morocco

Municipal governance in Morocco was strengthened significantly through recent decentralisation legislation and municipal elections in September 2003, which increased local governments' administrative and fiscal responsibilities. All five communes that make up the metropolitan region of Tetouan view the CDS approach as a useful vehicle for taking advantage of the changes and preparing a long-term vision for economic growth and poverty reduction. While the region's economic potential is significant, in the past, local authorities did not have the mandate to co-operate beyond their administrative boundaries, and thus could not take advantage of the synergies and economies of scale inherent in a concerted approach for the whole region.

The national government has selected the Tetouan region for substantial investments in the transport sector, including a new harbour for car ferries, a new tourism zone, and the Tangiers-Tetouan highway. In addition, Tetouan will be a satellite location for a planned regional investment centre. The government's Villes sans Bidonvilles initiative will also invest in upgrading 22 informal settlements in the Tetouan metropolitan region. Because of the involvement of the national government in the region's investments, a close link has been established with the governor of the region.

The launch of the Tetouan CDS last year during an election period initiated public debate about the direction of the region, providing community groups, civic associations, NGOs, and the private sector with access to information about the metropolitan region. Because of its systematic approach and the inclusion of actors from various levels of government and civil society, the CDS has been used to direct both local and national spending, foster pro-poor policies, reinforce the decentralisation process, and institutionalise the approach as a good governance practice. A number of partners are supporting Tetouan, including USAID, UN-HABITAT, the International Network for Urban Development, the Arab Media Forum for Environment and Development, the Near East and North Africa Region (NENA) Urban Forum, and the Morocco Urban Forum.

Presenting Tetouan's CDS experience at a workshop sponsored by the Cities Alliance during the recent Founding Congress of UCLG, Rachid Talbi, minister of trade, industry, and telecommunications and president of the urban commune of Tetouan in 2003, emphasised the positive impacts of the CDS and the importance of the participatory approach in developing it. Involving the various stakeholders has leveraged nonstate resources and investments, promoted policy reforms at the local level, and identified necessary actions at the national level. Engaging stakeholders and including the urban poor from the beginning in planning the CDS has proven crucial for successful implementation.



Plywood industry in Lagos, Nigeria

Learning and Knowledge Sharing



In addition to the learning and knowledge sharing that take place within the framework of all Alliance activities, the Cities Alliance also supports a number of global and regional learning activities. Fiscal year 2004 (FY04) was a productive year for the Learning Alliance.

EMERGING LESSONS

This year the Alliance undertook evaluations of its completed activities to assess their impacts and garner lessons, both substantive and in terms of the Alliance's own grant procedures. The evaluation included desk studies of most completed activities, supplemented by two on-site evaluations of the upgrading of informal areas in Egypt's Ismailia Governorate and the scaling up of poverty-focused CDSs in the Philippines.

Activities were assessed against their original stated objectives and the Alliance's core criteria, in particular, assuring the commitment of local and national authorities, ensuring participatory involvement by local stakeholders, having cross-sectoral co-ordination and collaboration among agencies and donors, investment follow-up, focusing on institutionalisation and replication, and scaling up to citywide and nationwide levels.

The evaluations conducted to date have reinforced the significance of the Alliance's central criteria and validated a number of specific procedural lessons. These include the following:

- Continuity of efforts makes a difference when building and institutionalising local capacities. Thorough documentation is critical to institutionalising knowledge gained and enabling interventions to build upon accumulated knowledge.
- Involvement by multiple partners creates opportunities, strengthening the quality and impact of development co-operation and contributing to scaling up. Programmes with support from a sin-

gle donor are at a disadvantage, as they are less likely to capture the opportunities, synergies, and specialised capabilities resulting from numerous partners working in concert.

- Well-positioned activities can yield substantial benefits. Even under less than optimal operating conditions, such as insular intergovernmental structures, stop-and-go funding, and cumbersome procedures, progress is possible if some key features are in place, namely, a local champion(s) with vision and experience, the requisite legal and administrative framework, clearly understood priorities and objectives, and a realistic timetable.
- Consultative processes can help stimulate national processes of dialogue and co-ordination.
- Participatory processes usually take longer than expected, and project planning should make allowances for this. Careful assessments of local practices and institutional procedures, along with realistic estimates of the time needed for the lengthy process of preparing and implementing participatory upgrading and CDSs, are important. Ensuring from the outset that all stakeholders and administrative officers are informed of the activity and its objectives, priorities, timetable, and implementing requirements in relation to staff, budgets, and procedures can help prevent start-up delays.

For Alliance members, the outcomes of these evaluations underscore the value of in-country collaboration and argue for continued and strengthened coherence of effort and adherence to the Alliance's core criteria. The building of partnerships and involvement of investment partners from the earliest stages of proposal development have proven critical to sustainability and to scaling up. These criteria will continue to remain as more than bureaucratic requirements of Alliance grants.

As demonstrated elsewhere in this report, Alliance activities are producing valuable, substantive lessons on slum upgrading and participatory

CDSs. Documenting and disseminating these more rigorously and innovatively as they emerge during implementation will be of strategic importance to the Learning Alliance and its partners in the coming years.

EXPANDING LEARNING ALLIANCE PARTNERSHIPS

The Learning Alliance partnership launched in 2003 with the French nonprofit organisation the Institute des Sciences et des Techniques de l'Équipement et de l'Environnement pour le Développement (ISTED) has continued to contribute significantly to the Alliance's knowledge sharing capacities, underscoring the value of strategic partnerships for communications and dissemination. ISTEED's bilingual *Villes en Développement* newsletters have captured the experiences of Alliance partner activities, reaching urban development practitioners worldwide. From the evolution of urban and regional policies in China to urban finance and poverty reduction in Madagascar, ISTEED's news bulletins have been disseminating lessons of experience.

To support the Alliance's outreach initiatives, ISTEED and the Alliance jointly produced a user-friendly guide to the Cities Alliance and its funding application procedures, *Working with the Cities Alliance*, in multiple languages. ISTEED and the Alliance also collaborated in preparation for the Cities Alliance session at the Africities Summit 2003, which was held in Yaoundé, Cameroon, in December.

Learning Alliance partnerships remain an integral part of the Cities Alliance's strategy to increase the dissemination of information connected to the Alliance and its activities. Work is ongoing to strengthen similar communications partnerships with UN-HABITAT, GTZ, UCLG, and other Alliance members.

PARTNERSHIP EVENTS 2004

Financing Strategies for Cities and the Urban Poor, São Paulo Public Policy Forum São Paulo, October 2003

The Alliance's 2003 Public Policy Forum, hosted by the city of São Paulo, focused on the challenges of financing municipal investments and the gaps in and opportunities for extending financial services to the urban poor.

Financial institutions still view low-income communities as inherently risky, with high transaction costs, small margins, and low turnover. Private sector involvement in slum upgrading programmes is constrained by this risk assessment, yet without the active engagement of both slum dwellers and the private sector, slum upgrading programmes are unlikely to achieve scale or sustainability.

Among the most significant challenges for city and national governments is to create conditions under which the private sector assumes some or all of the development risk and does not act merely as a contractor for government-financed projects.

Beyond the financing requirements of upgrading there are, of course, the extremely large investments that both local and national governments make in financing infrastructure for urban growth. Consensus is growing in many countries on the need to link cities' infrastructure financing requirements with domestic capital markets.

Just how developing cities can mobilise domestic capital and how access to credit can be expanded to the urban poor are issues that Cities Alliance partners are increasingly focusing on, both in the context of scaling up slum upgrading and of strengthening the impacts of CDSs on fiscal sustainability in the provision of urban services. The experiences of Brazil and of other developing countries worldwide presented during the forum offered a number of strategies and policy options that the Alliance is directly building on both in its major, new municipal finance initiative, as well as through its partnerships with financial sector institutions.

Leveraging private sector investments

The Cities Alliance provided support for Shorebank Advisory Services' successful bid for US\$1 million in support from the USAID for a global financial innovations partnership. The partnership is an initiative operated by private sector banks that emphasises product innovation to benefit slum dwellers. The partnership will engage multiple private, public, and donor institutions, encouraging a coordinated solution to the problems of the urban poor. This coherence of effort will be greatly enhanced by the partnership's intent to work with Cities Alliance cities that have already demonstrated commitment to and progress in slum upgrading.

The lack of medium-term funding is a major obstacle to financing housing for the poor in developing countries worldwide. The addition of housing loans to MFIs' working capital credit portfolios requires larger average loan sizes and terms, which in turn obligates MFIs to find sources of funds to meet these loan terms and prevent mismatches between assets and liabilities.

Just over one year into its partnership agreement with the Cities Alliance, ACCION International is making significant strides in developing mechanisms to secure stable, medium-term, commercial funding for MFIs with growing housing loan portfolios. Discussions are underway with GuarantCo, the financial facility that enables nonsovereign entities to access private financial assistance without sovereign guarantees. Designed to help increase the availability of long-term local financing, GuarantCo and ACCION are exploring the mechanisms through which GuarantCo could help MFIs extend loan maturities. Early expectations are that this innovative partnership could be piloted in Latin America in one or several of ACCION's established affiliate MFIs with maturing housing portfolios.

Africities 2003 Summit: Ensuring Access to Basic Services in African Local Governments Yaoundé, December 2003

The Africities Summit has become an institution at which mayors of African cities meet to exchange experiences and learn from each other as to how best to deal with the pressing problems of cities and towns on the continent.²³ The 2003 Africities Sum-

²³ Mabogunje, Akin L., 'Access to Basic Services in African Local Governments: Understanding the Challenge and Starting Action', keynote address to the Africities Summit, 2 December 2003.

mit was the largest and most representative gathering of African local authorities ever assembled.

In his keynote address, Professor Akin Mabogunje spoke about the importance of local governments working with the democratic consent of their citizens and of how this is directly linked to local governments' ability to mobilise the infrastructure investments needed to improve their citizens' access to basic services.

The Cities Alliance organised a half-day session at the summit focused on the participation of African cities in the Cities Alliance. This included two panel discussions, one on citywide slum upgrading in Nouakchott, Mauritania, and the other on the experience of the South African Cities Network with CDSs.

Millennium Task Force: Improving the Lives of Slum Dwellers **New York, February 2004**



Dhaka, Bangladesh

In support of the MDGs, the UN launched the Millennium Project to recommend the best strategies for achieving the MDGs. The Millennium Project's three-year research programme focuses on identifying the operational priorities, organisational means of implementation, and financing structures necessary to achieve the MDGs.

Task Force Eight, Improving the Lives of Slum Dwellers, involves a number of Cities Alliance members, including the Secretariat. This task force has met a number of times, and in February 2004 produced an interim report. While the task force

devoted much time and effort to analysing the typology and causes of slums, one of its most important contributions has been to reinforce and clarify target 11 of the MDGs. By returning to the original text of the Cities Without Slums action plan and the UN Secretary General's report, which set out the agenda for the Millennium Summit, the task force has clarified that the target should be interpreted in the following manner: by 2020, improving substantially the lives of at least 100 million slum dwellers, while deterring new slum formation.

In its interim report, the task force noted that while all efforts must be made to take immediate steps towards meeting the 100 million target by 2020, these initial efforts must be accompanied by incremental actions aimed at reducing the current rate of slum formation in accordance with the Cities Without Slums action plan. With this approach, the total number of slum dwellers currently projected to live in cities and towns by 2020 would be halved, thereby aligning target 11 with the other MDGs and targets.

Middle East and North Africa region mayors establish CDS as a top priority **Marseilles, March 2004**

The city of Marseilles and the World Bank Group have teamed up to build capacity for urban management in the Middle East and North Africa (MENA) region. The MENA knowledge hub, as the new partnership is known, is designed to support, on demand, the preparation of CDSs; share knowledge on methods and approaches pertaining to the socioeconomic development of cities; and promote training activities targeted to local contexts. It aims to strengthen networks to exchange experiences and expertise and support regional training institutions for municipal management.

At this second conference, mayors and city representatives from MENA countries selected CDSs as the most important issue on which to exchange knowledge, experiences, and successful practices. Video conferences were subsequently held with the Marseilles hub, the World Bank Institute, and the

Cities Alliance in May and July 2004, during which mayors from various countries, including Algeria, Egypt, Jordan, Lebanon, Morocco, Syria, and Tunisia, discussed the essentials of a CDS and shared their experiences with strategic planning with officials from Barcelona and Marseilles.

With the support of the World Bank, the MENA knowledge hub plans to hold two more conferences by the end of 2004 in Marrakech and Beirut, which will provide MENA mayors with another opportunity to exchange their experiences with CDSs.

Founding Congress of United Cities and Local Governments Paris, May 2004



UCLG Presidents, Smangaliso Mkhathshwa, Mayor of Tshwane, Marta Suplicy, Mayor of São Paulo, and Bertrand Delanoë, Mayor of Paris

The Founding Congress of UCLG was a landmark event for the world's local authorities. Created by the merger of the founding local authority members of the Cities Alliance—the International Union of Local Authorities (IULA), the World Federation of United Cities (FMCU-UTO), the World Associations of Cities and Local Authorities Coordinations (WACLAC), and with Metropolis serving as its Metropolitan Section, UCLG is now the voice of local government to the international community. UCLG brings together both individual cities and national associations of local governments, big and small, rural and urban, in more than 100 coun-

tries across 5 continents. It provides a forum for local governments to develop shared policies and positions on key issues, including poverty reduction, sustainable development, and social inclusion, and will greatly strengthen the role of local authorities in the Cities Alliance. Almost 3,000 mayors and local representatives from around the world attended UCLG's Founding Congress.

The Cities Alliance was invited to organise a workshop during the congress to illustrate how cities are using CDSs to plan for their future growth and strengthen their decision-making processes to balance economic, social, and environmental progress. Panelists included the following:

- Yahya Al-Shaibi, governor of Aden, Yemen, initiator of the Aden CDS, which leveraged a US\$23 million World Bank Adaptable Programme Loan
- Andrew Boraine, chair of the South African Cities Network, which includes South Africa's nine largest cities that together represent more than 17 million inhabitants and account for more than 60 per cent of South Africa's GDP.
- Sun Ping, deputy mayor of Chengdu, China, a city with a population of 11 million and where a city-region CDS with strong rural-urban linkages is being implemented with co-financing from DFID and the World Bank
- Rachid Talbi, mayor of Tetouan and Morocco's minister of trade, industry, and telecommunications, who manages the Tetouan CDS profiled earlier in this report.

The workshop benefitted from an enthusiastic audience of mayors and civic leaders who expressed keen interest in the CDS experiences and their methodologies and tools.

"Cities Alliance helps mayors to develop citywide strategic development programmes and to find the long-term investment necessary to implement them. Both these components are crucial to improving the lives of the poorest citizens of the world and achieving the targets set out in the United Nations Millennium Development Goals."

—Marta Suplicy, Mayor of São Paulo and President, UCLG

PUBLICATIONS: THE YEAR IN REVIEW

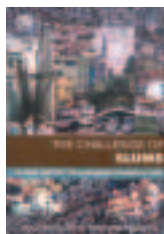
***Slum Upgrading and Participation: Lessons from Latin America*, Ivo Imparato and Jeff Ruster, 2003**



A road map and practical, hands-on guide for local officials and policymakers confronted with the task of designing and managing slum upgrading and shelter projects at the local level, this book offers five geographically and institutionally diverse case studies from Latin America that address the following questions: How can we increase service provision to low-income urban areas? How can we increase the impact of projects and the durability of the improvements they bring about? How can we enhance projects' financial sustainability and mobilise additional resources by involving the private sector? What are the key issues this kind of initiative needs to address?

The book provides information and examples to help project designers identify the level and modalities of participation that will work for them and the components of the environment that they will need to set in place to do so. The study was carried out by the Brazilian consultancy, Diagonal Urbana, under a contract with the World Bank, and with financial support from the Swiss Agency for Development and Cooperation and the government of Japan. The book was published with support from the Cities Alliance and Diagonal Urbana.

***The Challenge of Slums: Global Report on Human Settlements*, UN-HABITAT, 2003**



Almost 1 billion people live in slums, the majority in the developing world, where more than 40 per cent of the urban population are slum dwellers. The number is growing and will continue to increase in the absence of serious and concerted action by municipal authorities, governments, civil society, and the international community. This report points the

way forward and identifies the most promising approaches to achieving the UN's Millennium Declaration targets for improving the lives of slum dwellers by scaling up participatory slum upgrading and poverty reduction programmes.

The first global assessment of slums, the report examines the factors that underlie the formation of slums and their social, spatial, and economic characteristics and dynamics. Commenting in the report's foreword, UN Secretary General Kofi Annan notes:

'Slums represent the worst of urban poverty and inequality. Yet the world has the resources, knowhow and power to reach the target established in the Millennium Declaration. It is my hope that this report, and the best practices it identifies, will enable all actors involved to overcome the apathy and lack of political will that have been a barrier to progress, and move ahead with greater determination and knowledge in our common effort to help the world's slum dwellers to attain lives of dignity, prosperity and peace.'

Thirty-three city case studies of slum conditions, policies, and strategies commissioned and compiled in preparation for this report are available on the CD-ROM *Understanding Slums*, compiled and edited by the Development Planning Unit of University College London.

***Villes en Développement: Bulletin de la coopération française pour le développement urbain, l'habitat et l'aménagement spatial*, ISTED, June–September 2003, issue no. 60–61**



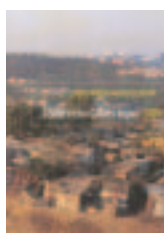
Since the partnership with the Alliance was launched, ISTED's bilingual *Villes en Développement* bulletins have routinely carried news on Cities Alliance partner activities, events, and publications. This special issue was devoted exclusively to the Cities Alliance, featuring the experiences of Alliance partners around the world, from CDSs evolving in Bobo-Dioulasso and Aden to poverty reduction and slum upgrading efforts in Brazil, Madagascar, Morocco, and Vietnam.

Working with the Cities Alliance, ISTD, 2004



This guide walks readers through exactly what the Cities Alliance supports and its criteria and procedures for funding. Printed in English and French, and with plans for the publication of Spanish and Arabic versions, the guide has been serving the Alliance's existing and prospective local partners seeking support to scale up slum upgrading and develop action plans and financing and investment strategies for the development of their cities.

State of the Cities Report 2004, South African Cities Network (SACN), 2004



The economy of South Africa, like that of many industrial and rapidly developing nations, is now essentially an urban economy ever more dependent on the health of the economies of its largest cities. This report takes a hard look at the forces that have transformed South Africa's largest cities over the last 10 years.

The report incorporates indicators within an analytical framework that includes the South African Cities Network's objectives of productive, inclusive, sustainable, and well-governed cities. It also incorporates indicators of the major demographic trends that are of concern to cities into a so-called statistical almanac, and uses these data to analyse and discuss the implications of current trends and responses for the future of South African cities. In addition to municipal councillors and officials, the report speaks to numerous entities responsible, in one way or another, for city development, including national and provincial governments, businesses, communities, and a wide variety of civil society structures.

City Development Strategies to Reduce Poverty, Asian Development Bank, 2004



In Asia, 2.2 billion people, or one out of every two, are expected to live in cities by 2020. Urban centres are increasing in size and number. They are important to national economies, because they are the engines of economic growth and the focal points for such important activities as trade, commerce, industry, and government administration and create employment opportunities. But despite these advantages, most rapidly growing Asian towns and cities face significant problems. The urban paradox is that amid the wealth and prosperity generated by towns and cities, a high incidence of urban poverty persists.

This publication sets out the results of the Asian Development Bank's regional technical assistance initiative, Promoting Urban Poverty Reduction through Participation in the Cities Alliance, including guidelines, case studies, and institutional arrangements for the preparation and implementation of CDSs and Cities Without Slums programmes. The case studies on the CDS and Cities Without Slums approaches adopted by Calicut (India); Da Nang (Vietnam); and Caloocan, Quezon City, and Taguig (Philippines) underscore that for cities to benefit from their comparative advantages, they must become more efficient, govern well, and establish coherent poverty reduction programmes.

@CitiesAlliance, the e-newsletter for Cities Alliance, 2004

The Cities Alliance newsletter was revitalised to advance the Alliance's knowledge-sharing goals more effectively. With more frequent distribution, and carrying news from Alliance partners in addition to timely pieces on significant and innovative initiatives in the areas of slum upgrading, municipal finance and CDSs, the Alliance continues to strengthen its outreach to its members and through them to urban practitioners worldwide.



Kiosks in Bangkok, Thailand

Cities Alliance Organisation



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

THE CONSULTATIVE GROUP

The Consultative Group—the Alliance’s board of directors—is responsible for setting the Alliance’s long-term strategy, approving its annual work programme and budget, and reviewing achievements. The Consultative Group consists of financial contributors to the Cities Alliance Trust Fund and the political heads of the new global organisation of local authorities, UCLG, and Metropolis, who have pledged their commitment to achieving Alliance goals. The Consultative Group is co-chaired by the World Bank’s vice president for infrastructure and UN-HABITAT’s executive director. Prospective financial contributors may serve as associate members for a period agreed to by the Consultative Group.

Membership in the Cities Alliance has continued to grow with Brazil becoming the first developing country to join the Cities Alliance in October 2003. Brazil is represented on the Consultative Group by its Ministry of Cities and by CAIXA Econômica Federal, which is providing financial support for Brazil’s membership.

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

Consultative Group Meetings

Consultative Group meetings are held annually in connection with a global public policy forum designed to share the lessons learned from experience and agree on policy orientations and standards of practice in areas related to the Alliance’s goals.

Consultative Group meetings have been held as follows:

- **Berlin, December 1999:** inaugural meeting, launch of Cities Without Slums action plan, and approval of the Cities Alliance Charter and 2000 work programme.
- **Montreal, June 2000:** first Public Policy Forum on the dimensions of pro-poor urban policies, Consultative Group review of application guidelines, and approval of Cities Alliance Vision statement.
- **Rome, December 2000:** second Public Policy Forum on Local Partnerships: Moving to Scale, Consultative Group approval of amendments to the Cities Alliance Charter, approval of the 2001 work programme and procedures to establish the Policy Advisory Board and Steering Committee.
- **Kolkata, December 2001:** third Public Policy Forum on Sustainable Partnerships for City Development, Consultative Group review of procedures for the independent evaluation of the Cities Alliance, and approval of the 2002 work programme.
- **Brussels, October 2002:** panel discussion at the European Commission on 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 on Financing Strategies for Cities and the Urban Poor, Consultative Group approval of the 2004 work programme and procedures for developing country membership on the Consultative Group.

Consultative Group Members as of June 2004

The Consultative Group includes representatives of the following:

- **Local authorities**
 - UCLG, formerly the International Union of Local Authorities (IULA), the World Federation of United Cities (FMCU-UTO), and the World Associations of Cities and Local Authorities Coordination (WACLAC)
 - Metropolis
- **Governments**
 - Brazil • Canada • France • Germany • Italy • Japan
 - Netherlands • Norway • Sweden • United Kingdom
 - United States
- **Multilateral organisations**
 - Asian Development Bank
 - United Nations Environment Programme
 - UN-HABITAT
 - World Bank

THE POLICY ADVISORY BOARD

The Alliance's Policy Advisory Board is composed of eminent urban experts from each region. They provide guidance to the Consultative Group on key strategic, policy, and regional issues and support the implementation of Alliance activities. The composition, terms of office, and operating procedures for the Policy Advisory Board were established by the Consultative Group at its December 2000 meeting. The board brings together civic leaders and policy advisers with a formidable range of public and private sector expertise that spans the leadership of community-based organisations, NGOs 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 practical knowledge and political experience in working with poor cities and the urban poor worldwide.

The board meets twice a year and is made up of eight members—two from Africa, two from Asia, one from Eastern Europe, one from the Arab states, one from Latin America and the Caribbean, and one from the industrial countries who serve two-year terms on a rotating basis.

The Policy Advisory Board held its first meeting on 11–12 June 2001 at the UN's headquarters in New York on the occasion of the General Assembly's special session on Istanbul+5. For the Alliance's October 2003 Public Policy Forum held in São Paulo, the board's members from Latin America and the Caribbean and the industrial countries, respectively, led the two working sessions on finance for cities and finance for the urban poor.

In May 2004, board members gathered in Bangkok for their annual spring meeting, taking advantage of the occasion to gain exposure to slum upgrading programmes being undertaken as part of the government of Thailand's ambitious Cities Without Slums initiative. The meeting was organised by Somsook Boonyabancha, the board's chair and director of the Community Organisations Development Institute (CODI), the public organisation under Thailand's Ministry of Social Development and Human Security that is deeply involved in the implementation of this national initiative. The board's meetings with slum dwellers and local community leaders and authorities generated a fruitful exchange of experiences.

The government of Thailand has undertaken to provide and facilitate housing delivery for 1 million households in five years. One of the central programmes of the initiative is the Baan Mankong (Secure Housing) Programme that, through CODI, is channelling infrastructure subsidies and soft housing loans directly to poor communities for a variety of upgrading activities. The programme is both unconventional and highly innovative, and is based on a communal approach to citywide slum upgrading. This approach relies on a high level of social mobilisation and organisation, with communities, local governments, and affected stakeholders planning an upgrading process to improve all communities within a city. Struck by the power of community participation under the programme, Policy Advisory Board members found the visit rewarding and stimulating and have pledged to continue such substantive exchanges in the future.

Policy Advisory Board members as of June 2004:

- **Somsook Boonyabancha** is Director of the Community Organizations Development Institute, a public organisation under Thailand's Ministry of Social Development and Human Security, and Secretary General of the Asian Coalition for Housing Rights, a regional coalition of NGOs, community organisations, and professionals based in Bangkok.
- **Yousef Hiasat** is Chief Executive Officer of Beit Al-Mal Saving and Investment for Housing, a leading investment and financial firm in Amman, Jordan; 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; and former Principal Adviser to the prime minister of Jordan on housing and urban development issues.
- **Mary Houghton** is President and Director of Shorebank Corporation in Chicago, a commercial bank holding company with US\$1.5 billion in assets organised to implement community development strategies in targeted urban neighbourhoods and rural areas, and an adviser to private banks and microcredit lending institutions in developing and transition countries.
- **Akin L. Mabogunje** is Chair of the Presidential Technical Committee on Urban Development and Housing in Nigeria; Chair of the Board of Trustees, Ijebu-Ode Development Board for Poverty Reduction; former Executive Chair of the Development Policy Centre, Ibadan; and an internationally renowned African development scholar who has published and lectured widely on urban management, rural development, and spatial perspectives in the development process.
- **Jean Pierre Elong Mbassi** is Coordinator of the Municipal Development Partnership for Africa, based in Cotonou, Benin; Special Adviser to the Council of Cities and Regions of Africa; and an experienced practitioner in urban management and slum upgrading.
- **Sheela Patel** is founding Director of the Society for the Promotion of Area Resource Centres in Mumbai, India, working in alliance with the National Slum Dwellers Federation and Mahila Milan in the 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.
- **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; former Head of the Settlements Management Office in the Ministry of Public Works and Regional Planning in Bucharest; and has extensive experience with planning legislation.
- **Richard Webb** is Director of the Centre for Economics Research of San Martin de Porres University, Lima, Peru; former President of the Central Bank of Peru; President of the Cuanto Institute; and a widely published scholar on public policy, income distribution, poverty, and economic reform.

THE SECRETARIAT

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

Secretariat staff

Manager, **Mark Hildebrand**

Senior Urban Upgrading Adviser,
William Cobbett

Senior CDS Adviser, **Peter Palesch**

Senior Urban Finance Adviser,
Rajivan Krishnaswamy

Urban Economist,
Pascale Marie-Claude Chabrilat

Communications Officer, **Chii Akporji**

Programme Analyst, **Andrea Merrick**

Operations Officer, **Kevin Milroy**

Resource Management Assistant,
Françoise Aubry-Kendall

Financial Management Specialist,
V. Rama Krishnan

Programme Assistant,
Patria Consuelo M. Morente

Programme Assistant, **Susanna Henderson**

Intern, **Till von Knebel**

Regional Advisers

Eastern and Southern Africa,
Carien Engelbrecht

Latin America and the Caribbean, **Ivo Imperato**

South Asia, **Alison Barrett**

Financials



IMPROVING EFFICIENCY AND IMPACT

The Cities Alliance's overall objective is improving the efficiency and impact of urban development cooperation in its key areas of focus: CDSs and scaling up slum upgrading. Central to implementing this objective and underlying all its activities is sound financial management of the funds under Alliance administration.

At the partnership level, sound financial management practices and reliable reporting underpin donor confidence that funds are responsibly managed, resulting in sustained and increased contributions. The Alliance's Core Fund and special facilities, such as the Cities Without Slums Facility for Sub-Saharan Africa, provide efficient vehicles for members to programme development cooperation funds targeted at the urban poor.

At the country programme level, good financial management practices by the recipients of Cities Alliance funds, combined with appropriate oversight by the Cities Alliance Secretariat, helps ensure that the scarce funding is effectively utilised for the purposes intended and builds local ownership and capacities to sustain development programmes.

The Cities Alliance continued to strengthen its financial management practices at both the partnership and country programme levels during the past year.

'The environment in which the World Bank administers trust funds has changed significantly over the past few years', reports Anwar Ravat, the World Bank's Chief Administrative Officer responsible for the Cities Alliance programme. 'Trust Fund reform has affected policies, procedures, monitoring and enforcement of trust funds throughout the institution'.

The Cities Alliance Secretariat has responded by formalising its policies and procedures, strengthening its procurement and financial management oversight, auditing its internal controls, improving its

records management, conducting random grant compliance testing, and participating in World Bank task forces and other groups working on various aspects of trust fund reform. The Secretariat has also developed more efficient practices for setting up and monitoring grants made to local authorities, NGOs, and other recipients of Alliance funds. This includes procedures for the initial assessments of recipients' financial management and procurement capacities and for periodic monitoring and financial supervision of partnership grants.

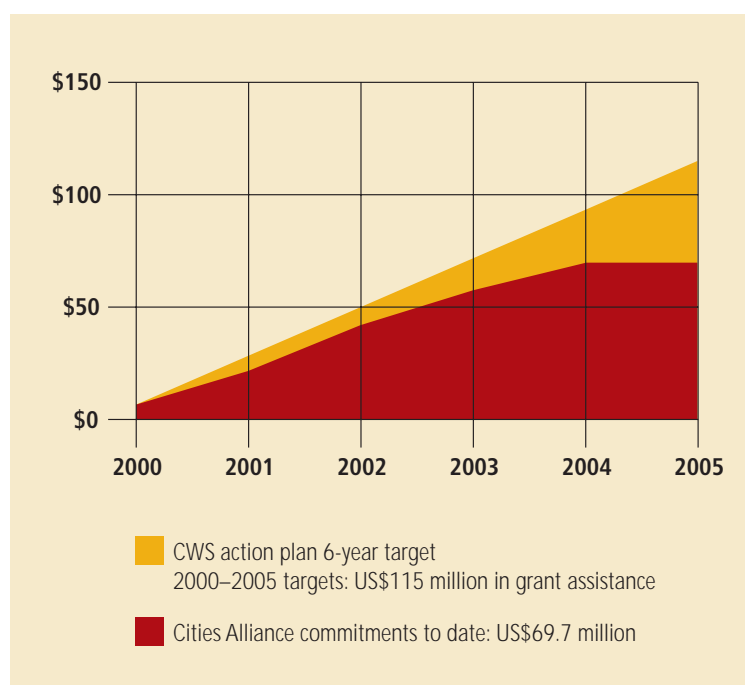
Nearly half of Cities Alliance resources are implemented by local recipients, with the other half implemented primarily by the World Bank and UN-HABITAT on behalf of recipients.

'We have always sought out best practices for the governance and management of partnership programmes both within and outside of the World Bank', says Cities Alliance Secretariat Manager Mark Hildebrand. 'I am pleased to report that now many programmes turn to the Cities Alliance for financial management best practices'.

FISCAL YEAR 2004 HIGHLIGHTS

Cities Alliance members paid in more than US\$15 million in contributions during FY04, including US\$6.5 million in core contributions and US\$4.8 million for the Alliance's special facilities: the Community-Led Infrastructure Finance Facility, the Sub-Saharan Africa Facility, and the Community Water and Sanitation Facility. The Alliance disbursed more than US\$13.2 million in FY04, up from US\$9.2 million in FY03. More than US\$6 million in new work programme allocations were made during the year, including more than US\$2 million for activities in Sub-Saharan Africa.

During the year, the Alliance signed new multi-year trust fund agreements with Germany, Sweden, and the United Kingdom. The Swedish International Development Cooperation Agency signed five-year agreements to contribute SEK 25 million (US\$3.3 million) in core funds and SEK 23 million (US\$3.0 million) for the Sub-Saharan Africa Facil-



ity. (The last two years of the agreements are contingent on the next independent evaluation of the Alliance.) The United Kingdom entered into a three-year agreement for £2.1 million (US\$3.7 million) in core funds, and Germany entered into a two-year agreement for 0.5 million (US\$0.6 million).

Also in FY04, Italy committed US\$0.65 million for scaling up successful methodologies in the Latin America and Caribbean region, Japan continued its support for CDS activities in Asia with a US\$0.75 million contribution, and Norway contributed US\$0.9 million to the Sub-Saharan Africa Facility. Canada made a contribution for an urban financing programme for the 2006 World Urban Forum to be held in Vancouver (US\$0.075 million), and the Netherlands continued its support for local economic development activities in Sub-Saharan Africa (US\$0.05 million).

The World Bank confirmed late in the year that it would contribute US\$1.7 million in core funds in FY05 through a one-year extension in Window 2 of the Development Grant Facility. The World

Bank is currently reviewing options for financing its membership in subsequent years.

The Alliance was favourably reviewed in two separate reports issued during the year by the World Bank. A July 2003 Quality and Assurance Group report noted that the Alliance was 'rated highly by Bank staff and other members of the partnership'.²⁴ The group's findings included: 'The ability of the CA [Cities Alliance] to support the CDS process as a means of opening/sustaining dialogue with leaders at the local level was highly valued by staff'. A

report by the World Bank's Operations Evaluation Department on global partnership programmes to be released in late 2004 gives the Alliance high marks, including for its governance and management, monitoring and evaluation, financial leveraging, and consistency with Development Committee criteria.

²⁴World Bank, 'Urban Development Sector Board Assessment' (Washington, DC: Quality and Assurance Group, 2003, p. 7).

SOURCES OF FUNDS FY00–FY04 (unaudited)			
(US\$ as of 30 June 2004)			
SUMMARY			
Type of funding	Pledges		Paid-in
Core funding	28,725,000		22,064,809
Non-core funding	35,230,000		22,113,763
Non-core Secretariat funding	5,720,000		5,180,000
Total funding	69,675,000		49,358,572
Donor	Pledges	Duration	Paid in^a
Core funding			
ADB	500,000	2002–2003	500,000
Brazil	150,000	2004–2006	0
Canada	1,000,000	2000–2001, 2003–2004	1,038,326
France	800,000	2000, 2002–2003	793,609
Germany	1,600,000	2000–2005	1,444,152
Italy	2,120,000	2000–2004	1,665,246
Japan	1,500,000	2000–2004	1,250,000
Netherlands	2,750,000	2000–2004	2,750,000
Norway	1,480,000	2000–2003	1,511,300
Sweden	2,775,000	2000–2005	1,400,341
UNEP	250,000	2003	250,000
UN-HABITAT	100,000	2004	0
United Kingdom	6,600,000	2000–2005	4,415,509
United States	1,250,000	2000–2004	1,000,000
World Bank	5,850,000	2002–2005	4,046,326
Total core	28,725,000		22,064,809
Non-core funding^b			
Canada	75,000	2004	73,608
Italy	11,635,000	2001–2007	3,528,445
Japan	3,500,000	2000–2004	2,750,000
Netherlands	100,000	2003–2004	100,000
Norway	1,800,000	2002–2003	1,822,034
Sweden	4,275,000	2003–2005	2,482,219
United Kingdom	11,045,000	2001–2007	9,942,457
United States	2,100,000	2003–2004	715,000
World Bank	700,000	2001	700,000
Total non-core	35,230,000		22,113,763
Non-core Secretariat funding^c			
World Bank	2,950,000	2000–2002	2,950,000
UN-HABITAT	1,450,000	2000–2005	1,270,000
Other	1,320,000	2001–2005	960,000
Total	5,720,000		5,180,000

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

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

^b Non-core funding is earmarked for a specific facility, region, or activity. The facilities include the Community-Led Infrastructure Finance Facility, the Cities Without Slums Facility for Sub-Saharan Africa, and the Community Water and Sanitation 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–FY04 (unaudited)				
(US\$ as of 30 June 2004)				
SUMMARY				
Funding source	FY04		Cumulative	
	Allocations	Disbursements	Allocations	Disbursements
Core activities	4,712,440	5,055,560	21,331,918	13,871,382
Non-core activities	1,552,600	8,197,695	26,957,220	5,654,627
Total uses of funds	6,265,040	13,253,255	48,289,138	29,526,009
APPROVALS BY TYPE OF ACTIVITY				
Type of activity	FY04		Cumulative	
	Core funds	Non-core funds	Core funds	Non-core funds
City development strategies	1,395,000	605,000	6,270,012	2,396,620
Scaling up upgrading	1,222,440	682,600	7,071,811	18,018,600
CDS and upgrading	845,000	265,000	5,640,095	1,872,000
Secretariat	1,250,000	0	2,350,000	4,670,000
Total approved grants	4,712,440	1,552,600	21,331,918	26,957,220
APPROVALS BY REGION				
Region	FY04		Cumulative	
	Core funds	Non-core funds	Core funds	Non-core funds
Sub-Saharan Africa	1,320,000	845,000	4,606,640	1,537,620
Asia	818,320	432,600	5,517,025	2,182,600
Eastern Europe & Central Asia	0	0	858,227	0
Latin America & the Caribbean	399,120	0	3,763,165	5,475,000
Middle East & North Africa	400,000	0	1,295,000	0
Global/Multiregional	525,000	275,000	2,941,861	13,092,000
Secretariat	1,250,000	0	2,350,000	4,670,000
Total approved grants	4,712,440	1,552,600	21,331,918	26,957,220
SECRETARIAT EXPENDITURES				
Expense	FY04	FY03	FY02	Cumulative
Operational				
Secretariat staff	516,468	451,443	625,295	2,316,421
Consultants, other labour	14,480	5,279	70,819	413,578
Travel	234,195	207,533	208,708	888,436
Other costs	24,901	77,840	71,926	636,667
Subtotal	790,044	742,096	976,748	4,255,102
Management and administration				
Secretariat staff	673,563	622,786	533,784	2,555,918
Rent, computing, other costs	191,803	160,311	146,030	525,144
Subtotal	865,366	783,097	679,814	3,081,062
Total	1,655,410	1,525,193	1,256,000	7,336,165

APPROVED PARTNERSHIP ALLOCATIONS (as of 30 June 2004)				
	Allocation 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
FY04	249,000	Jun-02	Ethiopia	Addis Ababa CDS
	75,000	Jan-04	Ethiopia	Ethiopia Housing Sector Study
	41,870	Completed Mar-04	Ethiopia/South Africa	Preparation of the Johannesburg–Addis Ababa Partnership Programme
FY04	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
	0	Cancelled	Kenya	Nairobi CDS and Upgrading of informal settlements
	240,000	Jul-02	Kenya	Collaborative Nairobi Initiative on Slum Upgrading Policy Frameworks
	152,000	Completed Sept-03	Madagascar	Slum Upgrading and Community Development in four major cities: Antsirabe, Antsiranana, Mahajanga, and Toamasina
	286,000	Jun-01	Madagascar	CDS for Antananarivo Infrastructure development, urban services improvement, and city poverty strategy
	75,000	Completed Jun-01	Mauritania	Slum Upgrading and Urban Poverty Alleviation
	495,000	Jul-02	Mozambique	Slum Upgrading and Vulnerability Reduction in Flood-prone Cities and Towns
FY04	245,000	Mar-04	Niger	CDSs for poverty reduction for Dosso and Maradi
	254,000	Completed Jun-03	Nigeria	Scaling up Upgrading through a CDS approach in Karu
	74,750	Feb-03	Nigeria	Preparatory Assistance for Lagos Strategy Development
	100,000	Completed Oct-01	Regional	Regional Roundtable on Upgrading Low-Income Settlements in Africa
FY04	50,000	Completed Mar-04	Regional	Africities 2003 Summit
	215,000	Jul-03	Regional	Building Partnerships for Cities Without Slums in Eastern and Southern Africa
FY04	215,000	May-04	Regional	Cities Without Slums: toward implementing a support program for countries and cities of Western and Central French-speaking Africa
	165,000	Completed May-02	Rwanda	Kigali Economic Development Strategy
	350,000	Completed Mar-02	South Africa	Johannesburg City Level Comprehensive Development Framework
	40,000	Completed Mar-02	South Africa	Preparation of Southern Africa Cities Alliance
	750,000	Dec-02	South Africa	South Africa Cities Support and Learning Network

APPROVED PARTNERSHIP ALLOCATIONS (as of 30 June 2004)				
	Allocation amount (US\$)	Start date	Country	Activity
SUB-SAHARAN AFRICA REGION—CONTINUED				
FY04	500,000	Mar-04	South Africa	South African Municipal Water and Sanitation Partnership Initiative
	36,000	Completed Mar-04	Swaziland	Preparation of the Mbabane Comprehensive Slum Upgrading and Finance Programme
FY04	500,000	Jul-04	Swaziland	Development of a Comprehensive Urban Upgrading Program for Mbabane
ASIA REGION				
	0	Cancelled Jan-02	Bangladesh	Khulna: Options for Sustainable Upgrading
	185,000	Completed Sept-03	Cambodia	Scaling up Community-Driven Development Processes in Phnom Penh
	54,640	Mar-03	Cambodia	Improving Tenure Security and New Housing Options for the Urban Poor in Phnom Penh
	500,000	Completed Dec-02	China	Metropolitan Level CDS in One Major City-Region and One Provincial Capital
	250,000	Completed Dec-02	China	Changsha City-Region, Guiyang, and Shengyan City Development Strategies: Urban Indicators Project
	900,000	Dec-01	China	City-Region Development Strategies
	226,000	Completed Sept-03	India	Local Partnership for Poverty-Focused CDS in Hyderabad
	67,000	Completed Dec-03	India	Preparation of Gujarat State Urban Slum Policy
	150,000	Completed Feb-03	India	City-Wide Scaling Up of Slum Upgrading (Ahmedabad)
	387,000	Cancelled	India	Creating Community Federations for Urban Partnerships (Orissa)
	98,065	Feb-03	India	Improving Access of the Poor to Basic Urban Services in the Ludhiana Municipal Corporation
FY04	70,000	Oct-03	India	Tamil Nadu Urban Land Market Assessment for Chennai, Coimbatore, and Tiruppur
	450,000	Feb-03	India	Scaling-up the Provision of Universal Minimum Sanitation to slums in cities
FY04	182,600	Jul-04	India	Community-Led Sangli Toilet Construction Activity
	30,000	Completed Mar-01	Indonesia	Proposal preparation: Poverty-focused CDS
	600,000	Mar-01	Indonesia	Institutionalising poverty-focused CDSs
FY04	250,000	Sep-03	Indonesia	Yogyakarta (DIY): Regional Development and Poverty Reduction Plan through Strategic Urban-Rural Linkages and Regional Integration
FY04	250,000	Sep-03	Mongolia	Development Strategy for Secondary Cities

APPROVED PARTNERSHIP ALLOCATIONS (as of 30 June 2004)				
	Allocation amount (US\$)	Start date	Country	Activity
ASIA REGION—CONTINUED				
	160,000	Completed Aug-01	Nepal	Kathmandu CDS and Informal Settlement study
	30,000	Completed Apr-01	Pakistan	Proposal Preparation: Peshawar CDS and City Assistance Programme
	150,000	Completed Jun-03	Pakistan	CDS and Cities Without Slums initiative for Peshawar
	30,000	Completed May-01	Philippines	Proposal preparation: Expansion of the CDS Programme
	600,000	May-01	Philippines	Scaling-Up Poverty-Focused CDSs
	31,000	Jun-03	Philippines	Preparation of a Proposal on Strengthening Urban Shelter Programmes in the Philippines
	500,000	Sep-01	Regional	City Networking and Investment Marketplace Development initiative in Asia
	150,000	Completed Dec-00	Regional	Asian CDS Workshop 2000
	600,000	Sep-02	Regional	South Asia Regional Adviser
FY04	248,320	Jul-04	Timor-Leste	City Upgrading Strategy for Urban Dili
	300,000	Completed Dec-03	Vietnam	Enhancing Access of the Urban Poor and Vulnerable Groups to Basic Infrastructure and Housing
FY04	250,000	Jul-04	Vietnam	CDSs in Medium Cities
EASTERN EUROPE AND CENTRAL ASIA REGION				
	75,000	Completed Jun-04	Bosnia and Herzegovina	Preparation of Mostar's Local Economic Development, Capacity Building, and Business Improvement Program
	75,000	Completed Jun-01	Bulgaria	Sofia CDS, Phase I
	249,800	Completed Jun-03	Bulgaria	Sofia CDS, Phase II
	458,427	Mar-03	Latvia	Cities Programme, CDS for Economic Development
LATIN AMERICA AND THE CARIBBEAN REGION				
	195,000	Cancelled	Bolivia	Slum Improvement and Disaster Management Mitigation in La Paz
	180,000	Completed Jan-04	Brazil	Recife Metropolitan Region Development Strategy
	560,000	Apr-01	Brazil	Building an Enabling Strategy for Moving to Scale
	5,000,000	Jun-01	Brazil	Salvador, Bahia, Technical and Social Assistance Project
	300,000	Completed Jun-04	Brazil	Bairro Legal programme (São Paulo)
	165,700	Feb-02	Brazil	Antipoverty and Anti-Exclusion Socioeconomic Action Plan: City Networks for Development and Social Inclusion (Rio Grande do Sul)

APPROVED PARTNERSHIP ALLOCATIONS (as of 30 June 2004)				
	Allocation amount (US\$)	Start date	Country	Activity
LATIN AMERICA AND THE CARIBBEAN REGION—CONTINUED				
FY04	75,000	Completed Mar-04	Brazil	Housing and Urban Development: Support to a Pro-Poor National Policy
	96,000	Completed Jul-01	Central America	Urban Review
	84,000	Completed Sept-02	Central America	Regional Coordination towards a Sustained Programme for Upgrading
	498,400	Dec-04	Chile	Local Development Strategies for Housing Solutions to Overcome Poverty
FY04	324,120	Mar-04	Colombia	Slum Upgrading and Land Tenure Regularization
	320,000	Completed Sept-03	El Salvador	Improving Execution capacity for urban upgrading programme in the Metropolitan Area of San Salvador
	256,445	Nov-02	Jamaica	Kingston and St. Andrew Sustainable Development Plan
	245,000	Jun-01	Mexico	Scaling up Upgrading and Managing Informal Urban Growth in the Metropolitan Mexico City Area
	250,000	Nov-02	Peru	Metropolitan Lima City Poverty Strategy
	475,000	Apr-01	Regional	Moving to Scale in Latin America and the Caribbean
	213,500	Jun-01	Regional	Build Capacities in Urban Knowledge Management
MIDDLE EAST AND NORTH AFRICA REGION				
	130,000	Completed Mar-02	Egypt	Upgrading informal areas in the Ismailia Governorate
FY04	200,000	May-04	Egypt	Alexandria CDS for Sustainable Development
	75,000	Completed Dec-03	Iran	National Dialogue on Citywide Slum Upgrading
FY04	200,000	Mar-04	Jordan	Greater Amman Development Strategy
	295,000	Aug-01	Morocco	Upgrading project for the Koraat Sbaa neighborhood in Tetouan
	245,000	Apr-03	Morocco	Metropolitan Cooperation in the Tetouan Region: the Role of the CDS
	150,000	Feb-02	Yemen	Aden Medium- to Long-Term CDS for Local Economic Development
GLOBAL AND MULTIREGIONAL ACTIVITIES				
	50,000	Completed Jul-02	Global	Urban Indicators Linkages
	150,000	Completed Sept-02	Global	Preparatory Assistance Fund
	49,000	Mar-00	Global	Cities Alliance web site
FY04	150,000	Nov-01	Global	Knowledge Dissemination, cumulative (web site, publications)
	50,000	Completed Jul-00	Global	Public Policy Forum, June 2000

APPROVED PARTNERSHIP ALLOCATIONS (as of 30 June 2004)				
	Allocation amount (US\$)	Start date	Country	Activity
GLOBAL AND MULTIREGIONAL ACTIVITIES—CONTINUED				
	60,000	Completed Jun-01	Global	Urban Upgrading: A Resource Framework
	75,000	Cancelled	Global	CDS Action Plan
	287,000	Jun-00	Global	Consultative Group/Public Policy Forum meetings, cumulative
FY04	145,000	May-01	Global	Policy Advisory Board meetings, cumulative
	20,000	Jun-00	Global	Building Political Commitment
	5,000	Sep-00	Global	Millennium Summit product and activity
	20,000	Jun-00	Global	Short Note Series
	30,000	Jun-00	Global	Technical Peer Reviews, cumulative
	500,000	Sep-01	Global	Pro-Poor slum upgrading frameworks in India, the Philippines and South Africa
	210,000	Completed Jun-03	Global	Housing Finance for the Poor: Innovations and Good Practices from the Field
	450,000	Completed Mar-02	Global	Consolidation of the Experience from Seven CDSs of the Urban Management Programme
	10,000,000	Oct-02	Global	Development of the Community-led Infrastructure Finance Facility (CLIFF) , DFID funding
	2,300,000	Apr-03	Global	The Development of the Community-led Infrastructure Finance Facility, SIDA funding
	195,000	Completed Nov-02	Global	Cities Alliance Independent Evaluation
	13,195	Completed Oct-02	Global	International Mechanisms to Promote Alternatives to Forced Evictions
	249,666	Feb-03	Global	Building a Solid Foundation: Overcoming the Obstacles to Scalability of Housing Microfinance for the Poor
	1,100,000	Completed Jun-03	Global	Secretariat budget (FY03)
FY04	1,250,000	Completed Jun-04	Global	Secretariat budget (FY04)
FY04	175,000	Jul-02	Global	Knowledge Generation and Learning, cumulative
FY04	125,000	Nov-03	Global	Final Project Evaluations
FY04	225,000	Mar-04	Global	CDS Impacts Study
FY04	200,000	Mar-04	Global	CDS Conference: Measuring and Improving CDS Impacts
	300,000	Cancelled	Multiregional	Regional Action Plans

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank	IULA	International Union of Local Authorities
AFD	Agence Française de Développement [French Development Agency]	LED	Local Economic Development
AUDI	Arab Urban Development Institute	MDG	Millennium Development Goals
AVSI	Associazione Volontari per il Servizio Internazionale (Association of Volunteers in International Service)	MORE	Moratorium on Relocations and Evictions
BUILD	Breakthrough Urban Initiatives for Local Development	NEPAD	New Partnership for Africa's Development
CAIXA	Brazil's Housing and Urban Development Bank	NGO	nongovernmental organisation
CCRA	Council of Cities and Regions of Africa	NSDF	National Slum Dwellers Federation
CDS	city development strategy	PRSP	Poverty Reduction Strategy Paper
CLIFF	Community-Led Infrastructure Finance Facility	SACN	South African Cities Network
CWS	Cities Without Slums	SIDA	Swedish International Development Cooperation Agency
DFID	Department for International Development (UK)	SPARC	Society for the Promotion of Area Resource Centres, India
EU	European Union	UCLG	United Cities and Local Governments
FCM	Federation of Canadian Municipalities	UN-HABITAT	United Nations Human Settlements Programme
FLACMA	<i>Federación Latinoamericana de Ciudades, Municipios y Asociaciones</i>	UNDP	United Nations Development Programme
GTZ	Gesellschaft für Technische Zusammenarbeit (German Agency for Technical Cooperation)	UNECA	United Nations Economic Commission for Africa
IDB	Inter-American Development Bank	UNEP	United Nations Environment Programme
IFC	International Finance Corporation	UNICEF	United Nations Children's Fund
ILO	International Labour Organization	USAID	US Agency for International Development
ISTED	L'Institute des Sciences et des Techniques de l'Équipement et de l'Environnement pour le Développement	WACLAC	World Associations of Cities and Local Authorities Coordination

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