

Urban Development – The New Development Frontier

a report by

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The world is rapidly urbanising. It is estimated that, within a generation, the majority of the developing world's population will live in urban areas. This means that the existing urban population of the world – which is currently approximately 2.5 billion – will double within a generation. At the same time, political and fiscal decentralisation is underway in all regions, with the result that, as cities are growing in size, they are also gaining more and more political and economic influence.

Globalisation will increasingly transform some cities from engines of national growth to engines of global growth. In several developing countries, such as the Philippines, Brazil and India, large urban metropolitan regions have emerged that account for a significant share of national GDP. These metropolitan centres increasingly have more in common with other global metropolises than with other cities in the nations where they exist. Increasingly, these metropolitan centres are playing a more autonomous role in the global trading system. By creating an environment of openness framed by international rules, globalisation has made regional autonomy more feasible.

The new inter-governmental relationships being established as a result of this new paradigm of urbanisation, decentralisation and globalisation are not always perfect. In most cases, municipal authorities are being burdened with more responsibilities without the necessary authority or capacity to finance and manage municipal operations. The income gaps between cities are also widening. Cities that have the administrative and financial strength to tap into the global economy are benefiting, while the less-prepared cities are being left behind.

The interaction of urbanisation, decentralisation and globalisation is creating many opportunities for cities, but it is also laying some potentially dangerous traps. This new paradigm is, without a doubt, bringing about positive change in cities around the world, but that change must be carefully managed if opportunities are to be created for all citizens. Urban poverty – visible in every city in the world – continues to be a clear danger. Local government

capacity is one of the most important factors in determining whether a city is able to use the new paradigm to its advantage. Not surprisingly, it is an area that is receiving considerable attention from the international development community.

Development organisations, such as the World Bank, also view the current opportunities as a double-edged sword. They can capitalise on the emerging opportunities and help their client countries bypass multiple stages of development. At the same time, however, missed opportunities can result in a significant set-back to a country's development goals. The challenge for development organisations is to find more effective ways to work with local governments, helping them realise the benefits of the new paradigm. For donor organisations – those that have been used to dealing with central governments – this will represent a significant change in direction.

The World Bank's Response

A New Global Urban Strategy

The mission of the World Bank (the “Bank”) is to fight poverty and to help people help themselves and their environment by providing resources, sharing knowledge, building capacity and forging partnerships in the public and private sectors. To achieve this in the cities of the 21st century, the World Bank has developed a new Global Urban Strategy (the “Strategy”). The Strategy is a result of a multi-disciplinary effort that has received guidance and input from a Bank-wide steering committee and a variety of Bank partners, including central and local governments, academics, donor agencies, non-governmental organisations (NGOs) and private-sector companies. At the heart of the Strategy is a realisation and acceptance of the ‘city’ as a client. This change of perspective has very significant policy implications on the Bank's operations. The Bank's new client – ‘the city’ – requires customised products and tools, different types of lending instruments and, perhaps most importantly, different sets of skills. The Bank has made a decision to take on this challenge and help shape the cities of the 21st century through the implementation of the Strategy.

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The aim of the Strategy is to develop sustainable cities that fulfil the promise of development for their inhabitants – in particular, by delivering upward mobility for the poor – and contribute to their country's long-term development. The vision of sustainable cities is based on four interrelated dimensions: livability, competitiveness, bankability and good governance and management. The first two are desired outcomes, while the latter two are the requirements for achieving the desired outcomes.

Livability

Livability represents the household's criteria of a city that works. In particular, attention is paid to ensure that the poor achieve a healthy and dignified living standard and share the resources of society. The agenda for improving livability includes reducing poverty and inequality, creating a healthy urban environment, enhancing personal security, establishing an inclusive civil protection system, creating opportunities for broad political participation and making cultural and recreational amenities available to all.


Good Governance and Management

Good governance and management is defined in terms of accountability, integrity and transparency in the exercise of authority – outcomes that are generally promoted by the trends towards making local offices contestable through elections and separating the governance and management roles. The framework for intergovernmental relations, and sharing of responsibility, between the local and public and private sectors, are also central to the structure of incentives for municipal government. The agenda under this dimension of the Strategy will include work on intergovernmental assignment of functions, expenditures and revenue sources.

Implementing the Strategy

Building Blocks of the Strategy

Local government capacity building is the most critical building block for achieving the goals the Bank is setting for itself in the Strategy. The Bank's



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Competitiveness

Competitiveness is defined in terms of the creation of an enabling environment, for and within cities, that permits firms and individuals to become productive. The agenda under this dimension of the Strategy aims to ensure that the benefits of urban agglomeration are achieved and the diseconomies (caused by congestion, pollution and crime, for example) are minimised.

Bankability

Bankability is defined in terms of financial soundness, as reflected in a municipality's respect for hard budget and its efforts to mobilise fully and use judiciously even a weak resource base. For the smaller number of cities that are capable of accessing capital markets, bankability is defined in terms of achieving creditworthiness. The foundation of bankability involves a clear and internally consistent system of local revenues and expenditures, balanced by transparent and predictable intergovernmental transfers, good financial management practices and appropriate conditions for municipal borrowing.

experience in urban development makes it clear that the goals of the strategy will not be met if the Bank fails to build the capacity of local governments to deal with the challenges that confront them today. Local governments need help in carrying out their responsibilities under the new paradigm. They need help in establishing effective and transparent financial management and budgeting systems, incorporating citizens' views into their decision-making process and executing their role in facilitating private sector activity. The Bank is currently developing products and tools that will help the local governments in these important areas.

Partnership building is another important cross-cutting aspect of the Strategy. The Bank will partner local government associations, NGOs and professional organisations in implementing the Strategy. These organisational units allow members to share information. They serve an important professional development function, and they help cities lobby state and central governments for policy change. From the point of view of development organisations such as the World Bank, the partnerships are also important information nodes. The Bank is a unique reservoir of

knowledge from all corners of the world and is taking its knowledge management role very seriously, recognising that knowledge management activities can significantly improve the performance of Bank client countries. The partnerships provide an excellent channel for supplying information to, and building consensus among, stakeholders such as city managers and mayors, citizens and the private sector. In 1997, the Bank, in association with several partners, launched the Urban Partnership to marshal expertise and resources from around the world to address the concerns of cities in the 21st century.

Products/Tools and Initiatives Developed to Implement the Strategy

The following products/tools and initiatives have been developed to address specifically the needs and problems of cities in the 21st century.

- City Development Strategies – a dynamic process of profiling city options, the Bank engages a city's key stakeholders in a long-term process to concretely define and prioritise actions to resolve their city's problems.
- Street Children Initiative in East-Central Europe – research and programme identification to help cities in transitional economies solve the problem of an alarming rise in urban child poverty, homelessness, child prostitution and drug use.
- Disaster Management Facility – a global partnership with other donors and private industry to encourage better mitigation and preparation for natural disaster emergencies.
- *Urban Age*, Global City Magazine – the *Urban Age* magazine provides a global forum in which world cities, their leaders and private citizens exchange ideas, knowledge and information. This international quarterly magazine has 40,000 subscribers in 187 countries, and is published in six languages: English, French, Arabic, Spanish, Russian and Mandarin.
- Cultural Heritage – a partnership that allows cities to pursue culture-led initiatives that capitalise on the role that culture plays in urban development and economic development.
- The Cities Initiative – a new World Bank–United Nations Centre for Human Settlements (Habitat) partnership that will help cities develop holistic city strategies to establish development and investment priorities and to implement city-wide and nation-wide programmes to provide services for the poor.
- Partner Search – a facilitative approach to

partnership building; currently two Bank partners, the Bertelsman Foundation of Germany and the UK and Australia Chapters of International City/County Management Association, are seeking partners in cities in developing countries.

National Urban Strategies and the Comprehensive Development Framework

The Strategy recognises that national legal and policy frameworks can unleash or undermine the potentials of cities, and it attempts to build a constructive relationship between cities and national governments through National Urban Strategies (NUS). The NUS will help to develop the policy framework that can allow the cities of the 21st century to come into their own – they will help create the enabling environment for livable, competitive, bankable and well governed/managed cities. The NUS will be developed and incorporated into the Comprehensive Development Framework (CDF). Proposed by Mr James Wolfensohn, President of the World Bank, the CDF is a holistic approach to development, presenting a long-term view of the structural, social and human aspects of development. It attempts to present these important issues in the form of a matrix that tracks progress in sectors that are essential to bring about long-term sustainable change in a country. The CDF also maps the development players, such as governments, donors, private sector and NGOs, to help provide a better framework for donor co-ordination. This new approach to development is designed to allow the developing countries and their partners to think more strategically about the sequencing of policies, programmes and projects and the pacing of reforms. The Bank and its partners are planning to apply the CDF in select pilot countries. The Strategy will be implemented in the pilot countries to build urban partnerships that can focus the policy dialogue on key bottlenecks to urban development and jointly monitor the impact of the policies on the long-term development of the country.

Conclusion

The new paradigm resulting from the interaction of urbanisation, decentralisation and globalisation presents great opportunities to cities in developing countries. These opportunities, if capitalised upon, can help countries bypass multiple stages of development. The capacity of the local government is a key determinant of the ability of the city to capitalise on these opportunities. The World Bank is preparing to meet the biggest developmental challenge of the 21st century by implementing a new Global Urban Strategy that can help improve the livability, competitiveness, bankability and governance and management of cities. ■