SDC-IDS Collaboration on Poverty, Politics and Participatory Methodologies

Briefing Paper

URBAN DEVELOPMENT ASSISTANCE

EXECUTIVE SUMMARY

Development assistance for urban issues has re-emerged as donors are increasingly concerned with issues of climate change and economic growth. Cities are seen as the front lines of climate change risk and response, with economic growth seen as being driven by cities and urbanization as well as driving resilience. Concurrent with these trends, there has been a continuation of support for development assistance that more directly addresses urban poverty, notably through collaborations such as the Cities Alliance and major institutions such as the World Bank.

The global trends of globalisation and decentralisation have also led to the rise in the profile of urban development. Smaller cities now have better potential access to globalised markets and global society (especially newly emergent networks of cities such as UCLG and ICLEI). They also face the double-edged sword of devolved governance responsibilities, which allow greater local agency and policy autonomy but strain limited financial and personnel capacities.

Most development agencies support a range of urban development assistance initiatives including infrastructure; economic, social development & environment; governance, and private sector operations. Broadly speaking, the development banks focus more heavily on infrastructure, often with a strong emphasis on finance. On the other hand, bilateral national agencies focus less on finance, instead focusing on a number of key issues tailored to their perceived national interests and relative advantages in the sector.

Leaving apart the trends in urban development assistance focusing primarily on economic growth, four of the most promising areas of need are a) settlement upgrading and affordable housing, b) public services for deprived urban communities, c) support for urban planning and management, and d) urban humanitarian assistance.

In looking for entry points to support poverty-centred urban development, SDC could make use of its organizational priorities and draw on its extensive experience working on issues of rural poverty. SDC could find a relative advantage in convening networks of different actors including multiple levels of government, civil society organisations, and associations of people living in urban poverty to ensure broad participation in the urbanisation process. Small but growing urban centres and their expanding urban peripheries could be one clear area of focus. Planning is often a major challenge for small cities, whose expanding responsibilities are not often met with adequate institutional or material resources.

SDC could assist in nurturing linkages between these cities and the rural areas in which SDC has experience and long-term relationships. SDC could provide technical planning assistance to these cities, which often receive less attention from donors. This could leverage SDC's longer term institutional relationships to

nurture the political will to institute challenging but effective policies around informal settlement upgrading and basic service provision. Because of the nature of bilateral development assistance, SDC may be best placed to address issues of urban development when they can be linked to ongoing relationships to national governments – specifically in the development of national urbanisation and decentralisation policies.

1. BACKGROUND ON THE RE-EMERGENCE OF URBAN IN THE DEVELOPMENT COMMUNITY

Interest in the role of cities and urbanization is on the ascendant, and cities in particular are being presented in a more positive light. There are still frequent accounts warning of the accelerating growth of urban populations, the enormous slums, disease and growing violence that result. In the extreme versions such cities are at risk of becoming 'feral', with the state losing control, public services absent, and gangs rampant (Norton, 2010). But these are now more than matched by accounts of cities triumphantly emerging to take their place as pioneering sites of economic productivity, cultural flair and social innovation, with books titled *The Triumph of the City: How Our Greatest Invention Makes Us Richer, Smarter, Greener, Healthier, and Happier* (Glaeser, 2011), *If Mayors Ruled the World: Dysfunctional States, Rising Cities* (Barber, 2013) and *Cities are Good for You: the Genius of the Metropolis* (Barber, 2013; Glaeser, 2011; Hollis, 2013).

Within the development arena, cities are also retaking a prominent place. Michael Lipton's influential attack on urban bias in the mid 1970s was part of a shift away from the urban-centric approach of the post WWII years: he argued that from a poverty perspective it was important to counter the disproportionate share of investment going to cities. Many international donors came to focus on rural areas, particularly when working in the poorest countries, justifying this as a counter to urban bias, and a recognition that the great majority of poor people were rural and dependant on agriculture. After some ebb and flow over the years, urban is now re-emerging as more central to development assistance. To some degree this reflects continued urbanization of population and poverty, along with a reemphasis on economic growth and the role of cities and urbanisation in this growth. It also represents a broader recognition of cities and urbanisation as central to sustainable development goals and related development priorities.

> **Key background points**:
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> - Cities are urbanisation increasingly hot topics internationally
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> - A new urban economics illustrates their central role in economic growth.
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> - Globalisation and decentralisation have made cities more important politically.
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> - The role of cities in climate mitigation and adaptation is increasingly recognised.
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> - The "cities" SDG (11) reflects the new status of cities in the broader development community.
>
> - International cities networks such as UCLG and ICLEI help to organise and articulate city concerns internationally

The re-emergence of cities and urbanisation as central to economic growth

While cities and urbanisation were long seen to be more significant to economic growth than to poverty reduction, during early phases of rapid urbanisation there has always been concern about urban population growth outstripping economic growth. In 2000, the World Bank published a paper suggesting that urbanisation without economic growth was a problem in much of Africa (Fay & Opal, 2000). During the 2000s, however, the World Bank were central to making the case for treating cities and urbanisation as important tools in achieving economic growth, even in very low income countries. This culminated in a report on urbanization and growth published by the World Bank and the Commission on Growth and Development (Spence, Annez, & Buckley, 2009) and the *World Development Report 2009: Reshaping economic geography* (World Bank, 2009). The underlying argument was that it was important to take advantage of urban density and the ability of urban networks to connect up the economy, and that while this might temporarily lead to rising inequality, this was a necessary cost. In recognition of their economic role,

cities have also attracted the attention of research connected to investment banks such Goldman Sachs and McKinsey (Cadena, Dobbs, & Remes, 2012; Dobbs et al., 2011).

The re-emergence of cities and urbanisation as central to sustainable development
Cities and urbanisation have been an abiding concern to sustainable development (World Commission on Environment and Development, 1987), and as a chapter in one of the volumes of the Millennium Ecosystems Assessment (McGranahan et al., 2005). They have recently become far more prominent, however. For the first time, the IPCC Fifth Assessment included explicitly urban chapters (Revi et al., 2014), and urban actors were visible and active in the recent COP21 in Paris. Most impressively, a "cities and human settlements" goal made it in as the 11th Sustainable Development Goal of the 2030 Agenda: Make cities and human settlements inclusive, safe, resilient and sustainable (United Nations, 2015). Reinforcing this, the Secretary of the UN Chief Executive Board for Coordination recently asked all agencies to open up to urbanization issues.

The re-emergence of cities and urbanisation in poverty-focussed assistance
The resurgence of interest in things urban has increased donor interest in the urban contribution to poverty reduction primarily through economic growth. On the other hand, the decline in interest and support for more directly poverty-oriented urban development assistance envisaged less than a decade ago (Stren, 2008) has not occurred. There are a range of urban poverty-focussed programmes that some donors have supported in recent decades. A number of the actors involved in urban poverty alleviation efforts have been partnered through Cities Alliance (Cities Alliance, 2014). Cities Alliance and its donor partners have long been supporting efforts to improve conditions in deprived urban areas. There has recently been more attention devoted to steering urban growth and rural-urban linkages in ways that better address poverty. DFID (re)joined Cities Alliance, giving particular support to a programme on making urban economic growth more equitable. Coming from the other side, the World Bank has placed urban within a "global practice" (the World Bank's current term work groups) also covering social, rural and resilience activities, and has made an explicit attempt to link rural and urban development, and has become more explicitly concerned with making urban growth inclusive. These shifts fit well with a range of approaches in the development community, fostering more inclusive urbanisation, and greater attention to smaller urban centres and rural-urban linkages. Whether this will be backed up with clear shifts in financial flows remains to be seen.

There have been two interrelated developmental shifts that have helped raise the profile of cities (and to some degree small urban centres) in the development arena: globalisation and decentralisation. Globalisation, led by the expansion and intensification of markets, has eroded some of the powers of the nation state within the international arena and increased the importance of cities, and globally connected cities in particular. Decentralisation has devolved some national responsibilities to local authorities. In many parts of the world, cities have increasingly been encouraged to compete economically, the more successful having the goal of become "world cities". Some have become more democratic, but also more market driven. Both decentralisation and globalisation have been highly contentious, uneven and incomplete processes. The cities of China gained considerable autonomy, and under national guidance became engines of growth, at the centre of the country's economic transformation. The cities of Brazil also gained considerable autonomy, and some became sites of social experimentation and innovation, contributing to Brazil finally beginning to see declines in inequality. Many cities have had few opportunities to help drive such change, but contribute to informal experimentation.

Among the international urban networks, United Cities and Local Government (UCLG) and Local Governments for Sustainability (ICLEI) are particularly relevant to development assistance goals
Both champion the power of local governments to drive positive change. UCLG is an international network of local governments and their associations. It champions (democratic) local self-government on the world stage, and supports it locally. ICLEI is a network of local governments committed to sustainability. It champions the role of these settlements in the sustainability agenda, as well as supporting members in their pursuit of sustainability. Both are themselves members of Cities Alliance, which though a UN-based organisation is also a quasi-independent partnership of international actors engaged trying to support sustainable development in cities.

The growing interest in urban is not easily assessed on the basis of development assistance statistics, in part because almost all official development assistance is nation-to-nation, with very little going directly through city or town governments

The spatial characteristics of international development projects are not generally recorded, and only some fall neatly into urban or rural confines. The development assistance dedicated to projects donors label as specifically urban development and management projects is indicative of a particular interest in guiding or managing development at the urban scale. Thus, the DAC project code for urban development and management covers "integrated urban development projects; local development and urban management; urban infrastructure and services; municipal finances; urban environmental management; urban development and planning; urban renewal and urban housing; and (urban) land information systems". Such projects only account for 1.3% of overall development assistance according to the DAC Creditor Reporting System, but between 2005 and 2014 it grew by more than a factor of 3. Urban centres undoubtedly receive a far greater share of development assistance than such figures imply. Assistance labelled as rural development projects is currently only financed to roughly the same level, but all projects under virtually all categories of aid involve either rural and/or urban activities and beneficiaries.

2. INTERNATIONAL DEVELOPMENT ASSISTANCE AGENCIES ACTIVE ON URBAN ISSUES

This section summarises how the development assistance agencies have been engaged with urban assistance, drawing predominantly on what they or their critics have said. A rough mapping of the principal actors (from 2012), and the sectors they are most active in, is presented in Figure 1. The development banks are involved the range different sectors, and given their banking function it is not surprising that they are more involved in urban infrastructure investment. Most bilateral donors are more consistently involved in the social development, and education and humanitarian support in particular. Japan and China are the only bilaterals heavily involved in more than one or two infrastructure sectors. Under governance, the bilaterals concentrate on institutional capacity, with some supporting decentralisation. There is a natural tendency to engage more with urban assistance as recipient countries, and more especially their poverty, becomes more urban.

Key points on development assistance actors active on urban issues

- The World Bank has been one of the leading proponents and actors in urban development assistance

- The development banks are all active on urban issues and often support urban infrastructure investment

- Japan and China are the only two bilateral heavily involved in more than a couple of urban infrastructure sectors

- Under governance, the bilaterals concentrate on institutional capacity, with some supporting decentralisation

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Donor Matrix 1

Urban Focal Areas of Multilateral and Bilateral Aid and Development Assistance

Sector	Infrastructure										Economic, social development & environment							Governance							Private-sector operations			
	Rail	WASH	Roads	Ports & airports	Irrigation	Electricity	Energy	Telecom	Industry enterprise zones	Housing & urban	Economic development	Health	Education & training	Community development	Humanitarian	Gender & development	Environment	LGU % decentralization	Legislative & regulation	Institutional capacity	Economic policy reform	Land planning & development	Trade & investment	Security emergency services	SME & micro enterprise	Manufacturing	Tourism	Business & financial services
Multilateral																												
WB	●	•	●	●	●	●	•	•		●	●	●	●	●	●	●	●	●	•	●	●	•	●	•	●	●	•	●
ADB			●	●	●	●	●	•		•	●	•		●	•	●		•	●	●	●	•			●			●
AfDB	•	●	●	●	●	●	•			•	●	•	•	●	•	•	●	●	●	●	●	•			●			●
IADB	•	●	●	●	●	●	●	•		•	●	•	•	●	•	●	•	●	●	●	●	•			●			●
IFC		•					●					●											•			●		●
EU		●	●								•	●	•		●	●	•		●									•
UNDP		●	●		●						●			●	●	●	●		•	●						•		
ILO												•	●			●	•	•		●					●	●		•
UNICEF												•	●	•						●								
UN-Habitat		●	●							●			●	●		●	•	●		●		●						
UNHRC											•				●					●				●				
Bilateral																												
AusAID		●									●	●		●		●			•	●								
China	•		●	●		●	●			•		•	•							●								
DFID		●			•	●		•			●	●	●	●	●	●	●			●					●	•		•
CDIA										●		●	•	●	•	•				●						•		•
France		●										●			●					●								
GIZ		●	•							●	•		●		●	•	•	●		●					●			
India	●			●								●	●							●							●	●
Japan		●	●	●	●	●	●			•	●	●	●	●	•		•	●		●					•	●	●	●
Korea		•	•								●	●	●	●	•			•		●	•				•	●	●	
Kuwait											●					•												
Malaysia												•	•														●	•
Russia																●												
Saudi Arabia			●													•												
USAID		●			•	●		•			●	●	●	●	●	●				●					●	•		•

● High investment focus   • Moderate investment focus

Source: Roberts, B. H. (2014). Managing systems of secondary cities. Policy responses in international development. Brussels, Cities Alliance, page 186.

The World Bank has probably been the most active agency over the years in funding urban projects, developing explicit urban strategies and undertaking and promoting urban development research

The quality of their research is reasonably high, and is far more directly policy-relevant than most urban research. As such it often has a large influence on the policy-oriented literature on urban issues circulating

within the development community. It suffers from not being truly independent, however, and from the lack of well-articulated and policy-relevant alternatives. For example, in the debates about the role of the private sector in urban water provision in the 1990s and early 2000s, the fact that the World Bank had a pro-private policy position and was also involved in a large share of the research was unfortunate. Most urban donors are less prolific, but many engage in open and published analysis of urban development and the need for assistance. Cities alliance is also engaged in discussions related to urban development assistance relevant to poverty reduction.

a. World Bank and other development banks

As articulated in the 2013 Global Monitoring Report (World Bank and International Monetary Fund, 2013), the World Bank has taken an approach to urban development in which urban and rural development are linked. Perhaps hedging against the volatility of interest in urban development issues, the World Bank tends to explicitly address urban development issues across a range of portfolios, integrating urban and rural issues wherever possible. Support for urban development tends to follow a set of three priorities: support for planning, support for connection, and support for access to finance. Particular projects tend to address one or more of these priorities, though more recently, projects have been framed around jobs and growth for city competitiveness or building resilience (with some kind of response to climate change).

Donor Matrix 2

Focus Area	Planning, including land use and basic service provision	Connection, including transport	Finance	Jobs and Growth	Climate Change/DDR	Slum Upgrading	Regional focus
Projects and studies							
Planning, Connecting, and Financing Cities—Now: Priorities for City Leaders	✓	✓	✓				
Decentralization in Ethiopia – Who benefits?				✓			Ethiopia
CityStrength					✓		Vietnam, Ethiopia
East Asia's Changing Urban Landscape Measuring a Decade of Spatial Growth	✓						East Asia
Competitive Cities for Jobs and Growth				✓			Colombia, India, Rwanda, China, Turkey, Morrocco
Leveraging Urbanization in South Asia: Managing Spatial Transformation for Prosperity and Livability	✓	✓	✓		✓		South Asia
Municipal Finances: A Handbook for Local Governments			✓				
Jobs in the City: Explaining Urban Spatial Structure in Kampala				✓			Uganda
High and Dry: Climate Change, Water, and the Economy				✓	✓		
Ibadan Urban Flood Management Project					✓		Nigeria
Planning for Uganda's Urbanization	✓	✓	✓	✓	✓	✓	Uganda
Indonesia: The rise of metropolitan regions	✓		✓	✓			Indonesia
Kenya Electricity expansion project	✓	✓	✓	✓		✓	Kenya
Urbanization and urban policies in Korea	✓	✓		✓		✓	Korea
Pro-poor slums integration project, Bangladesh	✓		✓			✓	Bangladesh
Urban development project, Rwanda	✓		✓	✓			Rwanda
Rise of the Anatolian Tigers: Turkey Urbanization Review	✓	✓	✓	✓		✓	Turkey
Rising through Cities in Ghana: Ghana Urbanization Review Overview Report	✓	✓	✓	✓		✓	Ghana
Colombia Urbanization Review: Amplifying the Gains from the Urban Transition	✓	✓	✓	✓			Colombia
Sri Lanka: Reshaping Economic Geography: Connecting people to prosperity	✓	✓		✓			Sri Lanka
Vietnam Urbanization Review: Technical assistance report	✓	✓	✓	✓			Vietnam
Financing Transit-Oriented Development with Land Values	✓	✓	✓				
Urban China: Toward Efficient, Inclusive, and Sustainable Urbanization	✓	✓	✓	✓	✓		China
Urban Storm Water Drainage for Zanzibar Municipality: Resettlement Action Plan Final Draft Report	✓		✓		✓		Zanzibar
Urbanization beyond Municipal Boundaries	✓	✓	✓	✓		✓	India

The Asian Development Bank was later than the World Bank to profile itself as a leading supporter of improved urban development, but has developed and adopted clear urban strategies, such as the 2012 Urban Operational Plan with its combined emphasis on economy, equity and environment. The African Development Bank is less inclined to present itself as so overtly urban in its emphasis, but also has a detailed urban strategy.

b. UN-Habitat and other UN agencies

UN-Habitat was established in 1978 in the wake of the first Habitat conference as the only UN body whose primary responsibility was urban (current version draws on Roberts, 2014). This is still the case as we approach Habitat III, and Habitat sees itself as playing a leading role in orchestrating the New Urban Agenda. One of their primary goals is to support governments and their development partners to achieve more sustainable urbanization, and Habitat III can be seen as a good opportunity to translate the idealised goals of the 2030 Agenda into practical agendas at the local level, where the contradictions and synergies of implementation, if not of the outcomes, will play out.

UNDP has a far larger portfolio of projects than UN-Habitat, and at times this has also meant it has been more active in urban development assistance and policy debates. UNDP partnered with the World Bank and UN-Habitat in the Urban Management Programme in the 1990s, and played comparatively active role, but became less engaged in the 2000s. It is in process of building six year strategy and one of possible platforms is urban/cities; it is currently an associate member of Cities Alliance. If UNDP does put a priority of urban development and development assistance this will change the dynamics of urban initiatives within the UN system. UNICEF has long had an interest in issues relating to urban children, and is also an associate member of Cities Alliance, as are UNCDF (with a recent initiative on municipal finance) and UNISDR (as indicated below urban disaster-related issues are receiving increasing attention). UNFPA's State of the World Population 2007 was on urbanisation and urban population growth (UNFPA, 2007), and since that time UNFPA has had a workstream on urbanisation, with a recent focus on inclusive urbanisation. UNEP has an urban environment unit, and has had a focus on resource efficient cities and integrating environmental concerns into urban planning and management (Dodman, McGranahan, & Dalal-Clayton, 2013). It cooperates with UN-Habitat through the Sustainable Cities Programme. (NEED TO FIX UP AND COMPLETE, OR DROP)

c. GIZ, DFID and other bilateral donors

GIZ
GIZ maintains a strong emphasis on urban development assistance, typically taking the form of technical assistance to municipal or other governments. While rural development is articulated as an independent theme with GIZ organizational documents, urban development is framed within the theme of 'good governance'. This is similar to the approach taken by the World Bank – explicitly emphasizing the importance of urban development assistance, but doing so in ways that suggest urban development issues should be integrated into larger narratives of development and change rather than focusing on urban development as a stand-alone endeavour. GIZ projects tend to address aspects of urban development such as planning; infrastructure and services; administrative capacities of municipal governments; economic growth including business development, skill development, and jobs; resilience, which tends to include a planned response to the challenges of climate change.

Donor Matrix 3

GIZ project focus

Focus Area	Decentralisation*	Water	Transport	Services	Energy	Sanitation	Climate Change, DDR	Country Partner
Project Name								
Institutional Development "Network of Associations of Local Authorities of Southeast Europe" (NALAS)	✓							Southeast Europe
Strengthening the MENA Water Sector through Regional Networking and Training (ACWUA-WANT)		✓				✓		Middle East North Africa
Local Governance Programme South Caucasus	✓							Armenia, Azerbaijan, Georgia
Urban Water and Sanitation Sector Development in Southern Sudan		✓						South Sudan
Municipal Waste and Wastewater Management		✓						Serbia
Advisory services for the administration of the EURO 2012 host cities				✓				Ukraine
Program to improve the efficiency of the drinking water supply and the sewage treatment		✓				✓		Nicaragua
Support to Decentralized Rural Development in Lesotho	✓							Lesotho
Energetic utilization of urban waste		✓						Mexico
Institutional Development of the Water Sector		✓				✓		Yemen
Promotion of good gouvernance in selected medium-sized sities in the context of decentralisation	✓							Togo
Strengthening of Institutional and Management Capacity in the Road Sector			✓					Namibia
Reform of the urban water and sanitation sector		✓				✓		Uganda
sector program water and sanitation		✓				✓		Burundi
Flood Management and Drainage of Medium-Sized Cities		✓					✓	Vietnam
Adressing Bangladesh's Demographic Challenges				✓				Bangladesh
Program Decentralization	✓							Mozambique
Districts and municipalities manage their resources according the principles of Good Financial Governance more effectively, are economically more sustainable and are accountable.	✓							Mozambique
Training for local selfadministration in Tunisia and support to urban development in Libya	✓			✓				Tunisia
Violence Prevention Programme - TC Component				✓				South Africa
Capacity development support of the police of Sindh province				✓				Pakistan
Commercialisation of Solar Energy in Urban and Industrial Areas					✓		✓	India
Support to the National Urban Sanitation Policy II						✓		India
Support to decentralisation reform in Ghana	✓							Ghana
Program for decentralisation and local developpement	✓							Benin
Adaptation of water resource management in urban areas to climate change with private sector		✓					✓	Peru
Program for sustainable drinking water and sanitary services in sub-urban areas		✓				✓		Bolivia
Decentralisation and Municipal Development	✓							Burkina Faso
Support for Sino-German cooperation in the field of energy in the context of the G20					✓			PR China
Sino-German Cooperation on Low Carbon Transport			✓					PR China
Climate Change Mitigation through Low Carbon Compound Projects in Jiangsu's Cities					✓			PR China
Qualification of key stakeholders regarding climate protection in housing					✓			PR China
Electromobility in China			✓					PR China
Development of the Water and Sanitation Sector in Kenya		✓						Kenya
Sustainable Urban Transport Improvement Project			✓					Indonesia
Renewable Energy and Efficiency in Cities					✓			Brazil
Water Sector Improvement Program		✓						Afghanistan

In every project with decentralisation as a stated focus, the project simultaneously addresses urbanization in smaller towns and cities. Sometimes this is explicit, but usually the urbanization policy of smaller towns and cities is framed as a technical governance issue to be dealt with as part of decentralisation.

DFID

DFID's engagement with urban development assistance has waxed and waned over the years. Around the turn of the millennium, DFID was actively promoting urban development and led the preparation of an OECD DAC "Reference Manual on Urban Environmental Policy" (OECD, 2000). While continuing to support projects with urban elements, DFID has recently been less actively engaged with urban policy issues, despite a parliamentary enquiry on the topic. Urban development assistance has come to be explicitly linked to economic growth, which is reflected in the fact that within DFID's policy groupings, 'urban' is situated under the 'growth' theme. They are moving away from a focus on issues such as slum upgrading and sanitation to an overarching economic growth agenda. DFID is now using the framework of urban climate change resilience as the entry point for engaging with issues of urban planning; 'climate smart' infrastructure, including energy efficient building design; and economic policies to support job growth in the 'climate economy'.

A number of other bilaterals are engaged in urban development assistance, often with a particular niche. Japan and China are best known for infrastructure development, with Japan also often supporting urban master plans and China also extending its engagements beyond infrastructure (see Box 1). France is probably the donor with the most direct support to urban authorities. Sida has a strong urban programme in the late 1990s and early 2000s, and became influential in some of the debates about urban development assistance, but are probably less so now.

Cities and urbanisation were central to China's economic transformation starting about a decade after liberalisation began in the late 1970s. Cities became the locus of experimentation around a public-private developer-led model of urbanisation and economic growth. This model is attractive to many ambitious national governments and urban authorities. In China it involved at least three dimensions: using urban special economic zones to experiment with opening China up to investment (initially in rural locations); adapting land regulations to give growing urban centres the means to convert less valuable urban and agricultural land into serviced land for rapid urban (re-)development; adapting the household registration system to accelerate the flow of workers to these urban sites of inward investment and land development.

China's initial forays into urban development assistance focussed on large infrastructure projects. They have started to move on towards more integrated development models, applying some elements of the approach developed in China, but with China as a source of investment and Africa as the site of the cities. Between 2007 and 2009 six Chinese Special Economic Zones (CSEZAs) were established in Africa. There is a danger that this is "isomorphic mimicry", wherein "the outward forms (appearances, structures) of functional states and organisations elsewhere are adopted to camouflage a persistent lack of function development" (Pritchett, Woolcock, & Andrews, 2013).

It should be kept in mind that China's economic success was based on extensive experimentation, rather than the adoption of a foreign model. Also, there is a danger that the inequalities associated with Chinese model will be reproduced, but without the transformative economic growth. In any case, China's economic slowdown may affect its development assistance. But this is nevertheless an important approach to watch, and it should be kept in mind that China's economic success was the outcome of experimentation not a preconceived model.

(Liu & Lefèvre, 2012).

3. KEY AREAS OF URBAN DEVELOPMENT ASSISTANCE ESPECIALLY RELEVANT TO POVERTY REDUCTION

Urbanisation and cities can contribute to economic productivity and growth, and in principle to national poverty reduction, depending on how widely the benefits are distributed. Where benefits are widely distributed, development assistance that improves the functioning of urban economies, by for example supporting efficient investment in the urban infrastructure, services and policies that help make cities productive, also results in poverty reduction. This section, however, is less concerned with development assistance designed to increase economic output, and more with measures to make urban benefits more widely available, and to reduce or alleviate poverty directly. It should be kept in mind, however, that when attempts to alleviate poverty undermine the economy this can be counterproductive, whereas when they also benefit the economy this can create important synergies.

Key forms of urban development assistance especially relevant to poverty reduction

- Settlement upgrading and affordable housing

- Public services for deprived urban communities

- Support for urban planning and management

- Urban humanitarian assistance

There is considerable overlap between these areas of development assistance and the urban-centred approaches to poverty reduction described in the accompanying Brief on *Cities, Urbanisation and Poverty Reduction*. However, the following subsections are organised more around donor activities and less around

the issues and opportunities as they arise in the growing cities and towns of low and middle income countries.

a. Settlement upgrading and affordable housing

In rapidly urbanizing countries, people may be attracted to cities and towns for their economic opportunities, but these cities and town are often concerned that their populations are already growing too rapidly, and do not want to plan for more. Populations grow regardless, often in an unplanned and unserviced fashion, creating what are referred to as "slums" [1]. The goal of "slum-free" cities is something almost everyone can agree to in principle, but the approaches to freeing cities of slums can be pro or anti poor. Prevention can involve opening up large areas of affordable housing plots, or vigorously closing down informal settlement opportunities, with the half-hearted pursuit of both of these what often drives the creation of 'slums'. Getting rid of existing slums can be achieved by bulldozing and evictions, by negotiated resettlement, or by in situ upgrading, and can involve varying degrees and forms of local participation. Addressing the challenges of slum formation is important in a range of countries, from the very poor to the reasonably affluent countries, and from small towns to megacities. Slums typically become a particular priority in the large cities of middle income countries, which often receive a disproportionate share of their country's economic investment, attract a disproportionate share of internal migrants, but are plagued by issues of land tenure, contestation and anti-poor policies.

Upgrading, with residents staying on site, is typically the preferred option of residents. There are a host of well documented challenges to upgrading, and rarely addresses the housing problems at scale or at source, as would be required of truly transformative approaches. In practice, an enormous amount of upgrading is done by local residents themselves, who may also be landlords. Simply being supportive of such upgrading can make a big difference. But the term is generally used to refer to government and donor supported upgrading.

The World Bank has been a major international funder of slum upgrading, with annual funding of about $80 million in the 1970s, falling to $20 million annually from the 1980s through 2005, and up to $144 million between 2006 and 2013 (see online presentation). Various financing models have been adopted, including more community-based models such as CLIFF. Some of the best known and most positively reviewed slum upgrading and housing programmes have come at times when countries were moving into middle income status, such as with the Baan Mankong programme in Thailand (CODI), which involved large quantities of relatively high density and low cost housing built with the involvement of residents (Boonyabancha, 2009; Usavagovitwong et al., 2013).

Slum upgrading programmes can be effective where public resources are sufficient, there is a sustained political will, and local people are able to participate in the process in meaningful ways. Upgrading of slums is a highly political, contentious, and contextual process, and in most low and middle income countries there are a range of different ongoing processes. For an organisation like SDC, it would be important to find the right partners and support the right processes, particularly as urban assistance still remains a comparatively minor activity within SDC's overall programme. Working closely with a range of public actors including government, civil society, and associations of people living in slums, SDC could leverage their material assistance toward generating the momentum and political will necessary to make slum upgrading more effective and reach a large share of the deprived informal settlements where slum conditions prevail.

Large scales public housing projects have re-emerged as a response to housing and service deficiencies, and have been promoted by McKinsey for example. A number of multi-billion dollar public housing projects have been initiated in middle income countries, along with a few in low-income countries (Buckley, Kallergis, & Wainer, 2016). Developer-led solutions to housing shortages are being promoted more widely. It is

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[1] The term "slum" should be used carefully as it can be insulting to the "slum" residents, though "Slum Dwellers International" have tried to reclaim the term. UN-Habitat has defined a slum household as one with insecure tenure, overcrowding or inadequate water, sanitation or housing, which currently describes roughly a billion urban dwellers.

extremely difficult, however, for developer-led housing projects to truly confront the affordability problems faced by the lowest income quintiles in the cities of middle income countries, let alone in low income countries. While large scale can reduce costs, such developments are still beyond the reach of many residents, are often located too far from work opportunities, and can easily end up diverting subsidies to relatively well-off residents and developers. This is not an appropriate area for development assistance, particularly from SDC given its priorities.

More attention, though not much funding, is also going to initiatives designed to help open up new land for affordable housing in and around rapidly growing cities and towns, such as those promoted by the NYU urban expansion programme, and summarized in a short primer. Such efforts go against the inclination of many cities and towns to make it difficult for low-income migrants to find homes unless they can afford the restricted formal land markets, but could make ongoing processes of informal urban expansion more efficient, equitable and environmental. More attention also needs to be paid to alternative and more pro-poor routes to urban densification, that make it easier for the poorest urban residents to create dense settlements that are also liveable. SDC could support such pro-active planning as part of support for decentralised development, and while there is a clear need in large as well as smaller urban centres, smaller urban centres could become a useful testing ground for innovative approaches.

b. Public services for deprived urban communities (Stren, 2014)

While service provision can be part of upgrading, it can also be a more independent activity, undertaken on a service-by-service basis rather than an integrated basis. Development assistance, for example, may go to strengthening particular service providers. As indicated above, this has been a favoured form of urban development assistance for a number of different donors.

The key services of concern include water, sanitation, energy, drainage, and IT services. IT services, and access to mobile phone services in particular, has grown extremely rapidly, transforming many aspects of urban life, even in some of the poorest settlements. This rapid change is related to the rapid technological progress, but also to informality and land-related insecurity and illegality not being a barrier. At the other end, urban sanitation has been especially slow to improve. The sanitation technologies for which access can be rolled out centrally, including most notably sewers, are too expensive for people living in poverty (such as those identified through the income and multi-dimensional poverty lines described above). The more affordable on-site technologies, such as improved pit latrines, will tend to be treated as private, despite the public consequences of their deficiencies.

For this and related reasons, donors, public service providers and residents are more likely to prioritize services like water and electricity (somewhat less favoured by donors perhaps).[2] Especially during the early 2000s there was an emphasis on private-public partnerships and in some cases privatization of utility operation, as a means of improving service delivery, with mixed results. Overall, it did little to address the challenges of providing services to informal settlements where ability and willingness to pay are low. Other more participatory models have been more successful, but have proved difficult to scale up, except in a few case like the Orangi Pilot Project in Karachi.

Assistance with service provision is most straightforward when service provision can be treated as a purely technical issue. As seen above, many donors have carried out projects dealing with the technical challenges of planning and engineering for service provision. However, as with slum upgrading, technical solutions can easily fail if the political and power dimensions are neglected. This seems to be why water and energy provision have been more successful than sanitation.

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[2] Water and electricity already have relatively high urban coverage rates, at least for basic access. This is sometimes taken as indicating that other services need to be prioritized. It could equally be argued however that this means that improvements in basic provision are more likely to reach the poorest.

If SDC decided to prioritise assistance for service provision, there is an opportunity to work closely with a range of actors to ensure that complex social/political issues do not block the implementation of technical solutions. Particularly in small and medium sized cities experiencing decentralisation, municipal governments have often received mandates to provide services without adequate resources or institutional capacities. Working closely with those governments to ensure the participation of local people and support of local civil society actors can help facilitate the implementation of service provision policies.

c. Support for urban planning and management

Support for urban planning and management has long been an integral part of most donors strategically trying to address urban development needs, whether or not poverty reduction is their priority. For example, when the World Bank stepped up their urban activities in the early 1990s, one of their first initiatives was to host a new Urban Management Program. Such programmes have traditionally played a role in both supporting urban policy initiatives locally, and providing a framework for international support. This is also the form of support that comes closest to being reported directly in the international development assistance statistics. According to the OECD DAC Creditor Reporting System, official assistance for urban planning and management was US$656 million in 2005, growing to US$2,253 million in 2014 (constant US$2014). As indicated in Table The big donors in descending 2014 contributions were EU institutions (about half being to European aid recipients), Japan, France, the World Bank, United Arab Emirates and the Asian Development Bank. As indicated in Table 1, Asia received 847 million, Africa 646 million and America 347 million.

Table 1: Official Development Assistance to Urban Development and Management by Donor and Receiving Region, 2014					
	Millions of $US				
Donor	Africa	Asia	America	Other	Total
Australia	0	30	0	5	35
France	9	152	277	21	459
Germany	17	15	1	36	69
Japan	2	292	1	0	295
Sweden	11	0	0	31	42
Switzerland	10	1	1	23	34
DAC countries not above	11	14	21	12	58
African Development Bank*	36	0	0	0	36
Asian Development Bank*	0	95	0	0	95
EU institutions	256	0	0	284	540
World Bank (IDA)	53	184	18	0	255
OPEC Fund	0	40	15	0	55
United Arab Emirates	231	0	0	0	231
Other	3	26	13	2	49
Total	**646**	**847**	**347**	**413**	**2,253**

*Funds
Source: DAC Creditor Reporting System

Support for urban planning works best when there is a clear and coherent national level urbanisation policy, when such a policy is being created, or where planning issues are straightforward and technical. However, urban planning almost always involves social and political trade-offs with winners and losers. Cloaking planning assistance with a technical framing can obscure the power struggles inherent in planning processes. If SDC decided to prioritise assistance for urban planning and management, it would be crucial to work closely with policy makers from different levels – from the local level to the regional and national level – to pursue coherent planning and urbanisation policies. It would be important to carefully avoid driving the planning process or pushing for particular types of policies. Rather, SDC could usefully work to ensure the

participation of a range of actors, including civil society actors and associations of people living in slums, in an inclusive planning process.

d. Urban humanitarian assistance (Brown, Boano, Johnson, Vivekananda, & Walker, 2015; Parker & Maynard, 2015; Urban Group submitting to the World Humanitarian Summit, 2016)

The humanitarian sector is still in the process of exploring new ways of operating in urban settings. Humanitarian actors are increasingly having to respond to urban crises and conflicts, cities are having to host internally displaced populations whose return home are often uncertain, and the conventional models of humanitarian assistance have not yet sufficiently adapted to urban settings. Climate change is likely to contribute to a greater need for urban humanitarian support. Urban settings raise different challenges, with their social diversity, density and their often more developed institutional and physical infrastructures. But they also have advantages, particularly if instead of creating parallel systems of humanitarian support, it is possible to restore or enhance existing urban systems to contribute to the humanitarian assistance. Cash can be a more effective means of providing assistance in urban areas, for example, but it is important to know when it will effectively provide for basic needs while stimulating the local economy, and when it will just raise prices and amplify conflicts with local populations. Developing better urban humanitarian assistance will require developing new partnerships that span the divide between humanitarian assistance and more conventional development actors. UN-Habitat and the International Rescue Committee (IRC) are currently convening members of a Global Alliance for Urban Crises, the formal launch of the Alliance.

Urban humanitarian assistance from a bilateral donor is likely to be most effective if targeted to building new networks and partnerships that can streamline and simplify an already crowded and complicated humanitarian assistance system. This would require a high degree of local knowledge of social and political economic context. Given the priorities of SDC, this may not be the most effective focus area for engagement with urban contexts, though strong relationships with national governments coupled with long-term embedded experience in rural areas could position SDC to contribute new linkages. Humanitarian issues are highly interconnected with issues of poverty, though these conceptual and practical linkages are yet to be articulated in the context of urban development assistance.

4. POSSIBLE FOCAL POINTS FOR SDC URBAN DEVELOPMENT ASSISTANCE

The following are examples of foci around which SDC could develop a concerted set of urban development assistance activities as first steps in engaging more closely with urban issues. They are consistent with some of the overlaps between SDC's priorities and the poverty priorities for urban development outlined in the accompanying brief on *Cities, Urbanisation and Poverty Reduction*. They also build on some of the discussions in the previous section of this Brief.

An SDC focus on small urban centres
Small cities and towns contain a large share of the world's urban population, but receive little attention or public investment. This may be in part because they are further from the government and the politicians that might help get access to resources, but are not considered as deserving as rural areas. SDC could work to compensate for this bias where it exists, improving local infrastructure in order to encourage both private investment and the liveability of these smaller places. Note, however, that trade-offs between investments in cities of different sizes are complex, and misreading them can make attempts to correct bias counter-productive. For example, research on Uganda suggests that policies designed to distribute investment away from the capital city of Kampala to smaller cities actually serve to make Kampala less competitive relative to other large cities of the region, with detrimental effects for the entire country(Lall, 2012) . It is also important to recognise the diverse types of small urban centres, some of which have close relations to agriculture, and others of which are satellites of large urban centres nearby, with few rural connections. SDC could consider prioritizing assistance to small urban centres with close relations to dynamic agricultural regions, SDC's rural experience would be of value in identifying assistance opportunities that strengthen rural-urban linkages.

An SDC focus on urban expansion and peripheries

One of the biggest challenges posed by urban growth and urbanisation is that of accommodating the increasing populations equitably. In cities that are growing, there is a need for planning to outpace the land and property speculators. Land values respond quickly to anticipated policy shifts or infrastructure investments, and when that wealth is captured by developers, it becomes very difficult to keep urbanisation processes inclusive, and to finance the provision of services. Moreover, partly because of past planning failures, cities and towns are often reluctant to plan for their increasing low-income populations, which can reinforce urban exclusion. As indicated above, this applies to cities, but also to some degree to smaller urban centres. These cities and towns needs support in developing the land use and infrastructure planning and preparation in the urban periphery advance of their rapid settlement phase. Peri-urban areas also often contain agricultural land, whose use can be important to poverty strategies, even as the proximity to urban activities can raise a number of environmental issues. SDC could support local planning efforts, and some of the costs incurred in the course of preparing land for urban expansion. This could be in large or smaller urban centres, a key criteria being that the relevant settlements should be growing rapidly.

An SDC focus on national strategies of urbanisation and/or decentralisation

Decentralisation can be a force for good, but without effective and equitable national urbanisation strategies (either separate or as part of the decentralisation strategy) there is a danger that decentralisation may actually contribute to exclusionary and environmentally damaging urbanisation. Well-designed and implemented decentralisation, linked to an urbanisation strategy, can support more inclusive urbanisation, with local authorities encouraged to be accommodating of their rapid population growth, and to protect the local environment. SDC could seek out opportunities to contribute to responsible national-level urbanisation and decentralisation strategies and policies. SDC experience with decentralisation policies generally could facilitate such an approach.

An SDC focus on informal sector

In many cities and towns more than half the population lives in informal housing or works in the informal economy. Enforcing existing regulations rigorously would make matters worse, but living with informality has many disadvantages. Local authorities often try to address issues of informality, but without support often develop antagonistic relations with the residents of informal settlements and informal sector workers. Supporting more innovative and constructive engagements with informality are important. Initial work on urban informality could start with a narrower focus on water and sanitation provision in urban informal settlements, as SDC is already involved in water and sanitation provision.

The review of existing SDC urban activities could reveal many other possible focal point for SDC urban work.

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