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# SDC's future engagement in urban contexts

## Issue Paper with recommendations

Draft after consultation in SDC Domains, Cooperation Offices, SECO

Increasing urbanization and related growing interest in the multiple role of cities is on the ascendant. Cities are predominantly presented in a positive light as pioneering sites of economic productivity, cultural flair and social innovation. Growing urbanization is however also accompanied by increase of poverty and inequalities as well as environmental challenges in urban contexts while poverty is decreasing in rural areas. By 2040-50 more poor people will be living in urban than in rural areas. What does this mean for development cooperation? This issue paper presents implications and recommendations for SDC resulting from a reflection process initiated by SC. It includes

- 1) an overview on main demographic and poverty related facts, on opportunities and challenges of urbanization as well as on the approaches of main actors;
- 2) a light-mapping of "urban projects" of SDC and SECO portfolios;
- 3) recommendations for a possible positioning of SDC in urban contexts.

### 1. Overview on facts, opportunities, challenges and responses to urbanization

#### 1.1. Demography, urbanization, poverty: Main facts and figures<sup>1</sup>

From 2014 to 2050, the world's population is expected to increase by 2.3 billion people (cf. figure 1). This growth will take place exclusively in urban areas while the world's rural population starts to modestly decline in the next decade (with the exception of Africa). Most of this urban growth will take place in Asia and Africa.

The urban share of the world's population (level of urbanization) was 43 % in 1990, already 54 % in 2014 and is expected to grow to 66 % by 2050. Currently, half of the urban population increase is driven by a natural population growth, half by rural-urban migration.

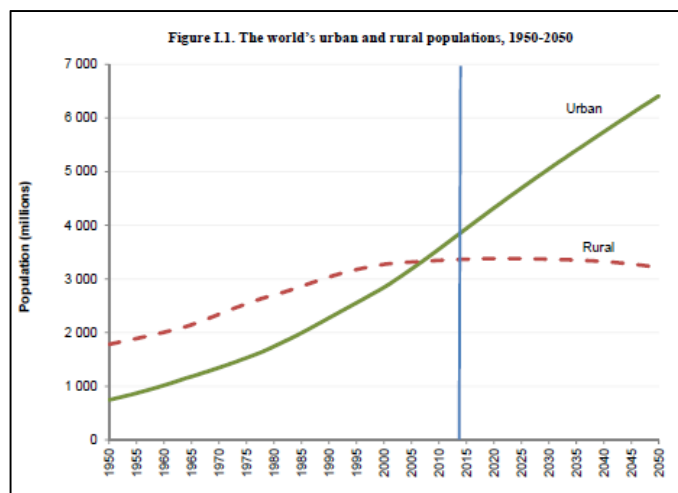


Figure 1: World Urbanization Prospects 2014, p.7.

<sup>1</sup> Basis for this chapter: McGranahan, G. (2016): Briefing Note "Cities, urbanization and poverty reduction", background paper prepared by the Institute for Development Studies (IDS) for SDC. The presented trends on urbanization and poverty are a general overview: respective patterns strongly vary in the different geographic contexts.

What are the implications of this trend on rural and on urban (income) poverty? With continued urbanization, the numbers of the urban poor people are predicted to rise and poverty will increasingly be an urban phenomenon: The urban share of total poor people was rising from 18 % in 1990 to 25 % in 2008 and it is (roughly) estimated that by 2040 – 2050, more poor people will be living in urban than in rural areas. However, the relative incidence of income poverty remains significantly higher in rural than in urban areas (cf. table 1). National poverty is distributed along a rural-urban continuum, along which e.g. smaller urban centers show higher rates of poverty than larger ones.

Measuring urban poverty is a challenging task. General income poverty measures might seriously underestimate the scale of urban poverty as they are only partially considering the higher costs of living in the cities and only partly reflecting substantial non-income dimensions of urban poverty, including violence, pollution, climate and environment related risks, health etc.

	Income poverty rate (% living below \$1.25 a day)				Income poverty count (million living below \$1.25 a day)				Urban Share of Income Poor (%)	
	1990		2008		1990		2008		1990	2008
	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban		
<b>East Asia and the Pacific</b>	68	25	20	5	764	116	209	41	13	16
<b>Europe and Central Asia</b>	2	1	2	0	2	1	1	0	40	25
<b>Latin American and Caribbean</b>	21	7	13	3	23	19	14	11	46	45
<b>Middle East and North Africa</b>	9	2	4	1	10	2	5	1	18	22
<b>South Asia</b>	51	40	39	30	429	114	433	143	21	25
<b>Sub-Saharan Africa</b>	55	42	48	38	202	59	259	111	23	30
<b>All Low &amp; Middle Income Countries</b>	<b>53</b>	<b>21</b>	<b>31</b>	<b>13</b>	<b>1354</b>	<b>308</b>	<b>908</b>	<b>325</b>	<b>18</b>	<b>25</b>

Table 1: Martin Ravallion (2016) *The Economics of Poverty*, Oxford: Oxford University Press. Page 339.

## 1.2. Urbanization: Poverty-related opportunities and challenges

Evidence shows that urbanization (the share of the population living in urban areas) is strongly related to **economic growth** and **absolute poverty decline** on the one side and also to a growth of inequalities and relative poverty on the other side. The economic benefits of urban concentration come from sharing large scale infrastructure (such as hospitals and piped water systems), hosting large scale production facilities, creating better matches between people, enterprises and products, and more opportunities for learning from others. Furthermore, research shows that **women benefit** more from education and subsequent economic opportunities in urban areas compared to rural areas.

**Rural populations can also strongly benefit** from dynamic and inclusive cities thanks to positive rural-urban linkages (e.g. market for agricultural products, employment opportunities). Having e.g. family members living in urban areas and integrated in urban economies is a fundamental part of rural livelihood strategies. In this way, families diversify their income sources and get less vulnerable to natural hazards such as draughts, floods, pests or extreme weather. There is evidence on this indirect role of cities on the rural poverty alleviation. In fact, rural poverty indicators tend to fall more rapidly in countries with higher rates of urban population.

Yet, there are **several key challenges** that prevent from fully exploiting the benefits of urbanization in favor of the urban as well as the rural poor people:

- **Exclusive urbanization:** Cities are often not willing or not able to taking measures to accommodate the predicted growth in low-income population (including migrants) and instead develop (often poorly coordinated sectoral) standards and regulations more suited to their better off residents. In other words: Urban authorities tend to plan for the popula-

tions they hope for rather than for the predicted populations. Furthermore, they are answerable to their urban constituents alone and tend to devote too few resources to measures that yield spillover benefits to connected rural areas.

- **Informality:** This exclusion (together with poorly functioning housing and land markets) contributes to the growth of informal settlements (often slums with poor quality housing, limited access to services, tenure insecurity) and a large informal economy. Through the informal housing and economy, the poorest part of society is, on the one hand, strongly exposed to risks linked to pollution and instable land areas, and on the other hand also producing an important part of ambient pollution (air, water and soil). In 2014, 30 % of the developing world's urban population was living in slums. Even though this proportion is lower than two decades ago, the absolute number of slum dwellers continues to increase, especially in Sub-Saharan Africa and in some Asian regions. The combination of informality, lack of tenure security and absence of accessible justice mechanisms puts slum dwellers at high risk of eviction and subsequent loss of livelihood, often as the direct result of urban development.
- **Access to services, transport and housing:** While access to services (such as water, sanitation, garbage collection, health care, education, transport) is typically higher in urban areas than in rural ones, it can still be extremely low for the urban poor people, of inadequate quality and unaffordable. Within slums, access rates are in many cases comparable or lower to access in rural areas. Furthermore, the negative consequences of lacking access or of bad quality services are often bigger in dense urban settlements where health hazards occur more easily. Expenditure on services and on housing account for a substantial share of poor families' income, reducing the amounts available e.g. for food or education.
- **Employment and income:** The urban poor people have limited access to employment and income opportunities and its majority works in the informal sector where they are more prone to human rights abuses and exploitation. The urban poor people face challenges of low skills, low wages, unemployment and underemployment.
- **Urban violence and insecurity** are growing issues and a major obstacle for a sustainable and inclusive urban development. Cities are of strategic importance regarding the access to resources, power and economic gain. Therefore, violence in its many forms (political and social violence, crime, interpersonal or domestic violence) became increasingly concentrated in urban areas over the past 20 years, be it in conflict or non-conflict settings. Within cities, violence is unevenly distributed and particularly acute in lower income informal areas. Several contexts most affected by fragility and conflict will see rapid population growth in their cities before 2030. Root causes or so-called risk factors for urban insecurity include rapid, unplanned urbanization, social and economic inequality, youth unemployment, poor rule of law, policing and justice deficits, bad governance with insufficient security services leading to power vacuums and violence getting endemic.
- **Armed conflicts in cities:** Today's armed conflicts increasingly take place in highly populated and residential areas. Those conflicts not only destroy the essential infrastructure of a large number of people but render more civilians victims of military action in densely populated areas, particularly in cities under siege, thereby causing major challenges to the humanitarian response and the respect of international humanitarian law.
- **Refugees and internally displaced people:** An increasing number of cities in conflict zones (e.g. in the Middle East) face additionally the huge task to accommodate massive and unpredicted arrivals of refugees and internally displaced people. Already today, out of the 65 million people who are forcibly displaced, 75 % live in urban areas.
- **Exposure to environmental risks:** Hazards such as natural disasters, environmental degradation, air pollution or health risks resulting from the environment (e.g. respiratory, diarrhea and infectious diseases) particularly affect the urban poor people, also and increasingly exposing them to danger of humanitarian crises. Research shows that the poorest segments of society are for example most exposed to air pollution which is the

most important reason for premature death. Climate change and related disasters further amplify the hazards of urban poverty. At the same time, urban land area is expected to triple from the year 2000 (400'000 km<sup>2</sup>) to 2030 (1.2 Mio km<sup>2</sup>), presenting enormous challenges with respect to Environmental risks, Adaptation and Mitigation.

### 1.3. Possible approaches for development cooperation

In view of these opportunities and challenges of urbanization, it can be distinguished between the following possible urban approaches to reduce rural and urban poverty:

- **Developing better and more effective national urban strategies** that recognize cities' importance (and responsibility) for national development: A national urbanization strategy should encourage cities and smaller urban centers to be more inclusive (e.g. with a participatory, proactive urban planning approach, cf. point below) and to compete in ways with each other that contribute to national well-being, poverty reduction and environmental sustainability instead of striving only for local goals. A bias towards infrastructure investment in large cities should be avoided, benefitting smaller and intermediate cities.
- **Making urbanization and cities more inclusive:** Currently disadvantaged groups (including migrants and displaced persons) shall be more fully included in politics and economics of the cities. Especially during periods of rapid urban growth, this also means a participatory urban zoning opening up suitable land for low cost and self-built housing, connected with basic infrastructure and ensuring access to basic services. In parallel, in particular for those already living in informal settlements, tenure security and access to justice are critical alongside the mentioned access to basic services. As much of urban violence is located in areas concentrating poverty and marginalization, it is important to identify the context specific root causes of urban violence and to address it with adequate measures.
- **Planning and acting ahead:** Cities and their infrastructure should be planned and built in a way to accommodate for all population groups, now, and looking 30 years ahead, in order to accommodate for their needs. Integrated respectively coordinated sectoral policies (such as zoning, housing, services, security, crime prevention, mobility or economic development) contribute to achieve this goal.
- **Making urban economic growth more equitable** with a sound strategy for equitable urban economic growth that emphasizes the creation of decent jobs in both the formal and informal sector. Some cities such as Alicedale town (South Africa) or Medellín municipality (Colombia) have been reasonably successful at this, with lessons for other cities.
- **Supporting the economic development of smaller urban centers and their rural linkages:** Poverty reduction, including in the surrounding rural areas, is greater in countries where smaller urban centers account for a larger share of urbanization. Hence, policies should try to steer economic growth towards smaller urban settlements and to include urban-rural linkages in development strategies.
- **Developing social protection programmes for urban populations:** Social protection has been developed more for rural than for urban areas. Developing more urban social protection programmes can be justified, particularly in countries where poverty is becoming increasingly urban. Mobile social protection is especially suitable.
- **Creating environmental resilient and low emission cities that work for the poorest:** There is a potential to combine efforts to reduce urban poverty with climate change adaptation and mitigation measures. Eliminating poverty and promoting inclusion should be key components of cities' attempts to achieve environmental resilience.
- **Adapting Emergency aid:** Humanitarian assistance is increasingly adapting to urban contexts, with especially suited assistance forms. For example, traditional humanitarian assistance can have negative effects on the functioning of local markets. By contrast, cash-transfer programming may serve to stimulate urban markets. In addition, in order to avoid dependency, the strengthening of self-reliance of the affected population is particularly important in urban contexts, which presupposes a simultaneous combination of hu-

manitarian and development measures. Protecting civilians according to the Geneva Conventions and the International Humanitarian Law is a task of much greater difficulty in urban contexts. Here, people are more vulnerable as they highly depend on urban services and are less distinguishable from fighters or even taken as “human shields” by the latter. In order to provide help, it is essential to ensure that International Humanitarian Law is respected in rural and urban contexts alike. The emergency aid needs to be completed by rehabilitation, reconstruction and disaster prevention efforts in urban areas.

#### 1.4. Focus / approaches of main actors

Urban is re-emerging as more central to **development cooperation**: Donors see the cities as drivers of economic growth, structural transformation and poverty reduction. Cities and urbanization are recognized as central to sustainable development, lately also increasingly with regard to climate change mitigation and adaptation. Accordingly, the Sustainable Development Goal 11 strives for inclusive, safe, resilient and sustainable cities and human settlements. Concurrent with these trends, there has been a continuation of support to more directly address urban poverty, notably through collaborations such as the Cities Alliance and major institutions such as the World Bank.

Further, **humanitarian assistance** in urban areas is a rapidly emerging topic: Humanitarian actors are increasingly constrained to provide adapted and adequate responses to urban crises and conflicts; cities host internally displaced populations, refugees and vulnerable migrants whose return home is often uncertain and who are in greater need of protection. Humanitarian response per definition acts where humanitarian crises happen. It will necessarily continue to adapt to adequate humanitarian assistance in urban settings.

A comprehensive overview on donor's urban activities is not available – such overview needs to be included in a context specific analysis which is anyway necessary to identify the value added of possible interventions in urban areas. According to a **rough mapping** on principal urban actors and sectors (within the four categories infrastructure; economic, social development & environment; governance; private-sector operations), some general remarks can be made:

- **World Bank** and regional **Development Banks** are most broadly active in all four categories. In comparison with other multilateral or bilateral actors, they are (not surprisingly) more involved in urban infrastructure investment. **UN organizations and bilateral donors** are more consistently involved in social development, education/training and humanitarian support in particular. Under governance, UN organizations as well as bilateral donors concentrate on institutional capacity, with some supporting decentralization.
- 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 financed to a great extent by SECO. As stated in the 2013 Global Monitoring Report, the World Bank has taken an approach in which urban and rural development are linked. A set of three priorities are followed: support for planning, for connection and for access to finance. The World Bank is about to complete a report called “The Hidden Dimensions of Poverty – Natural Resources and the Environment”, also shedding light on important poverty aspects in Urban Areas. SDC (GC) supports this study.
- Regarding the Habitat III conference of October 2016, **UN-Habitat** sees itself as playing a leading role in orchestrating the New Urban Agenda. Meanwhile, **UNDP** has at times been more active in urban development assistance and policy debates than UN-Habitat. Also other UN organizations such as UNICEF, UNEP, UNRWA or WFP are partially active in urban contexts.
- Among bilateral donors, **GIZ** maintains a strong emphasis on urban development assistance, typically taking the form of technical assistance to municipal or other governments. Organizationally, GIZ urban development is located within the theme of good governance. **DFID's** urban development assistance has come to be explicitly linked to an economic

growth agenda, moving away from a focus on issues such as slum upgrading and sanitation. **AFD** is probably the donor with the most direct support to urban authorities.

- 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 while ICLEI is a network of local governments committed to sustainability. Both are themselves members of **Cities Alliance**, which though a UN-based organization is also a quasi-independent partnership of international actors engaged trying to support sustainable development in cities.

## 2. Current approach of SDC (Internal SDC / SECO light-mapping)

In May/June 2016, an internal light-mapping was carried out to identify “urban projects” of the SDC and SECO portfolio. Criteria were a) their significant focus on urban areas respectively on urban poverty and / or b) their explicit contribution to sustainable urban development by addressing specific (peri-)urban challenges. Due to slight differences in answering the enquiry, the light-mapping results are shown in three blocks:

### 2.1. SDC: South Cooperation (SC), Cooperation with Eastern Europe and Central Asia (CE) and Global Cooperation (GC)

For 2015, totally 66 “urban” projects could be identified with budgeted total expenses of CHF 116 million. However, the light-mapping didn't include projects with national coverage (touching rural and urban areas alike). Additionally, Switzerland is contributing through the core contributions to multilateral priority partners such as UNDP, WB and UNICEF to urban / urban related programmes – these core contributions are also not covered in the light-mapping. Therefore, in fact more than the identified SDC resources are invested to urban contexts.

Out of the identified 66 projects, only a third can be classified as “fully” or “mostly” urban, while two thirds are only partially covering urban contexts. The bulk of the identified projects can be considered as sectoral projects (on a policy or operational level) affecting rural as well as urban areas.

What are the main findings on the identified urban projects? With concentrating 82 % of total funds (cf. figure 2), three SDC thematic priorities clearly dominate: a) governance (40 %), b) basic education and vocational training (32 %) and c) water / wash (10 %):

- The thematic priority **governance** comprises a broad range of projects. Still, the majority focusses on strengthening the service-delivery roles and capacities of local municipalities (including their role in public finance management) and / or on increasing the citizen participation in municipal governance, a few of them as well linked to strengthened local economic development. There are also policy projects supporting decentralization reforms with an important impact on urban contexts, advocating for an alignment of responsibilities and available financial resources for cities.
- Within the thematic priority **basic education and vocational training**, the majority are vocational skills development projects on policy / project level in economic sectors located in and around cities.

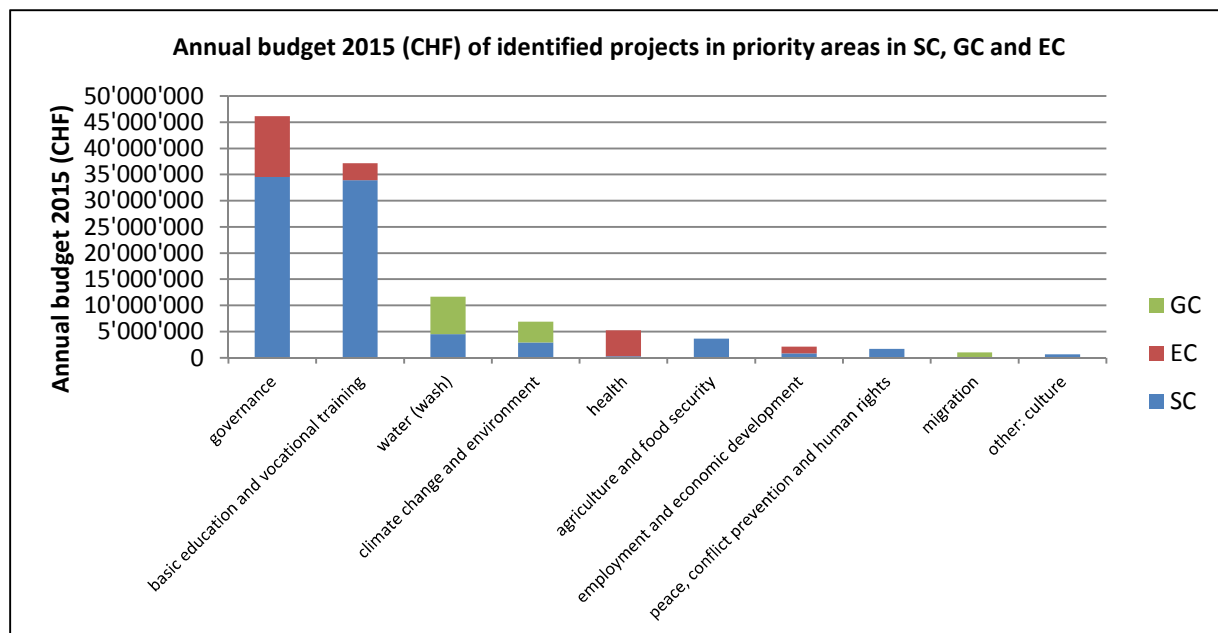


Figure 2: Urban projects in priority areas of SC, GC and EC

As to the urban focus within the three domains, the **SC “urban” portfolio** mostly consists of projects of the two thematic areas governance and vocational training. Within the **EC “urban” portfolio**, governance and health projects predominate, while within the **GC “urban” portfolio** the water (focus on integrated water resources management and sanitation) and climate change and environment projects (focus on climate change mitigation and adaptation, including reduction of air pollution and support for urban planning).

The **financial means** allocated (at least partly) to urban contexts remain relatively **modest**. In the case of both SC and EC, roughly 14 % of total project activities were implemented in urban contexts, while it was roughly 10 % for the GC. Highest percentages of urban activity can be registered for Latin America and Caribbean (27 %), West Africa (25 %) and Western Balkans (25 %).

As to the criteria Middle Income Countries MIC / Low Income Countries LIC, fragility and city sizes, the analysis shows the following distribution:

- 55 % of urban projects are implemented in MIC and 36 % in LIC which can partially be explained by the higher level of urbanization in MIC.
- 58 % of urban projects in non-fragile contexts, 33 % in fragile contexts,
- The bulk of the “urban” activities (62 %) are taking place in rather small towns and cities up to 300'000 inhabitants.

## 2.2. SDC: Humanitarian Aid (HA)

**Two thirds of the HA funds** are used for **emergency assistance** means to give protection to the most affected civilian populations and to help them to meet their most basic needs (shelter, drinking water, sanitation facilities, food, health services). In parallel, the HA actively participates in rehabilitation, reconstruction and disaster prevention efforts to prepare the people for a return to a more independent existence in the future.

These HA efforts (emergency, rehabilitation, reconstruction and disaster prevention) are **increasingly** carried out **in urban contexts** where refugees and internally displaced people concentrate. This is e.g. the case in the Middle East where – related to the Syria crisis - humanitarian assistance is provided to refugee camps in urban areas of Lebanon and Jordan. Cash-transfer programming is increasingly used as an assistance modality in order to strengthen the functioning of local markets. With the aim of generally accelerating this ap-

proach, the HA has provided the World Food Program (WFP) in Damascus with a Swiss expert on cash-transfer programming.

As in the case of the first result block, the HA is partly implementing programmes on its own and partly supporting multilateral and other partners (such as ICRC, WFP, UNHCR, UNRWA, UNICEF) working in urban contexts.

### 2.3. SECO

SECO plans and implements economic and trade policy measures and focuses on five outcome areas (“Wirkungsziele”):

- Effective institutions and services,
- More and better jobs,
- Enhanced trade and competitiveness,
- Low-emission and climate resilient economies, including the activity line integrated urban development (with 3 sub-components: urban planning and management, urban mobility and urban disaster risk reduction).

In these outcome areas, four operational SECO units implement multilateral and bilateral projects. The bilateral projects consist of nationwide policy projects (covering rural and urban areas) and specific thematic projects. The vast majority of SECO's bilateral and multilateral (rather sectoral) projects (e.g. in water supply, waste water collection and treatment, urban mobility, energy efficiency, but as well public finance management or private sector promotion) are being implemented in urban areas.

The operational unit **WEIN / infrastructure financing** is working on the above mentioned outcome areas “effective institutions and services” as well as “low-emission and climate resilient economies”. As a specificity, next to sectoral urban projects (e.g. in water supply, waste water collection and treatment, energy efficiency etc.), WEIN supports a wide range of projects and initiatives that **focus on integrated urban development** by addressing multi-sectoral planning and management issues that impact a city's spatial as well as economic, social and environmental/climate related dimensions. This integrated urban development is supported through a) partnerships with international urban development initiatives (in collaboration e.g. with World Bank, Cities Alliance) and b) direct collaborations with selected cities.

SECO's main fields of expertise in urban development are

- Set-up and implementation of action and investment plans based on multi-sectoral analysis of constraints and potential for sustainable urban development.
- Coordination of sectoral policies and plans linked to economic infrastructure services (particularly water and sanitation, solid waste, energy and transport). Urban land management and spatial planning related to basic infrastructure.
- Planning and management related to urban land markets (cadastre, land pricing, etc.).
- Low emission and climate resilient urban planning and management, particularly linked to urban mobility and energy efficiency.
- Access to finance for municipal infrastructure investments.
- Planning and implementation of integrated urban infrastructure investments.

SECO (WEIN) focuses on secondary cities, whose size vary according to the national context. Compared to SDC's urban activities, the SECO (WEIN) focus on small towns and cities seems to be rather modest and a considerable number of projects and initiatives concentrate on cities with more than 300'000 inhabitants.



### 3. Recommendations for a possible positioning of SDC

#### 3.1. Relevance for SDC engagement

As shown in the first chapter, today almost three quarters of the people in poverty still live in rural areas and over one quarter live in urban areas. But these figures are expected to change drastically in the near future and by 2040 already half of the world's **poor population** will live **in cities**. As evidence shows, it is recognized that cities play an increasingly important **role for overall national poverty reduction**. Therefore national poverty depends heavily on how urban centers develop and how urbanization is handled. Rural populations can also strongly benefit from dynamic and inclusive cities thanks to well-functioning rural-urban linkages. The tendency to focus urban development efforts narrowly on economic growth and to look for poverty alleviation mainly through rural development supports an exclusionary urbanization, missing out opportunities to further reduce rural and urban poverty alike.

In view of these opportunities and challenges, sustainable urban development is **high on the international agenda** and its importance was recognized in the 2030 Agenda for Sustainable Development with SDG 11, often referred to as the cities SDG. Urban development is as well increasingly present in strategies of multilateral partners of SDC.

**SDG 11.** Make cities and human settlements inclusive, safe, resilient and sustainable

Supporting well-managed, inclusive urbanization offers a **big leverage to fight national poverty**, to contribute to a country's sustainable development and can – through rural-urban linkages – be well combined with support to rural areas. As mentioned in the second chapter, SDC is already active in urban areas, but still on a relatively modest level and in a sectoral approach without sufficiently linking and coordinating most relevant sectors such as governance, economic development / decent employment and environmentally sustainable and resilient urban development. This significantly limits SDC's contribution to an inclusive and sustainable urbanization process and hence its potential contribution to poverty reduction in rural and urban contexts alike.

**For the future, it is therefore recommended that SDC engages more actively and more systemically in peri-urban and urban contexts**, anticipating the potentials and consequences of growing urbanization on poverty, inequality and the environment. SDC should consider increasing its commitment and responding to the demand expressed by partner countries in selected priority areas of sustainable urban development where SDC can bring most added-value (considering as well SECO's main fields of expertise in urban development, cf. 2.3), applying the following systemic approach:

#### 3.2. Recommended systemic approach focusing on functional rural-urban areas

Considering the opportunities and challenges of urbanization, it is proposed that SDC contributes to an inclusive and sustainable urbanization process through a **systemic approach** that

- puts individuals at the center and that promotes the **social and economic inclusion of poor people and marginalized groups**,
- builds on existing SDC experiences and on the potential of dynamic **rural-urban linkages** to fight national poverty,
- focuses on **functional territorial areas** covering connected urban, peri-urban and rural areas and fostering rural-urban linkages, with a specific focus on **smaller and medium sized cities**,
- integrates and / or coordinates three thematic areas 1) **urban governance**, 2) **economic inclusion** and 3) **environmentally sustainable and resilient urban development** - considering urban governance as the main entry point of SDC's activities in urban contexts.

To define supportive interventions on local, regional and national level within this recommended approach, SDC analyses context specific dynamics that influence poverty and inequality in urban and rural settlements and identifies the highest possible value added and biggest leverage to fight poverty. Especially in fragile contexts, a specific analytical focus is laid on the prevalence and root causes of urban violence and insecurity. Such urban SDC engagement is demand-driven, responds to identified needs and clearly indicates the beneficiaries (marginalized population in rural, peri-urban and urban settings). High attention is paid to gender as transversal theme. Specific gender gaps are identified in the given contexts and addressed by suitable measures.

Within the mentioned **three interlinked thematic parts of the approach**, the following focus on possible areas of work is proposed:

- (1) **Urban governance:** Support for improving urban governance is considered as the **main thematic entry point** as it provides a unifying theme for SDC's urban support in rapidly growing cities. Good governance is especially critical to achieving **inclusive urbanization** that is socially, environmentally as well as economically beneficial, respecting the human rights of people affected, and that **fosters the rural-urban linkages** by reaching out to connected peri-urban and rural areas. Such support to urban and regional governance is guided by SDC's principles on good governance / human rights and SDC's approach to governance that includes a systemic understanding of the political system, its actors (including non-state), their interactions and relations.

On **local and regional level**, SDC's engagement aims at accountable, responsive and efficient institutions enabling the improved and inclusive provision of public / social services, such as social protection, health services, basic education or water and sanitation. A strong focus on effective citizen participation and strengthened local democracy contribute to achieve this goal. A specific effort is made to include marginalized groups such as recent migrants and the residents of informal settlements (including by improving tenure security and access to justice). Peacebuilding measures may in fragile contexts contribute to a reduction of violence. An important instrument to achieve these governance goals is a participatory, proactive urban planning approach that contributes to well-coordinated sectoral policies (such as zoning / territorial planning, housing, service, security etc.). Such approach contributes to a pro-poor urban expansion that accommodates the anticipated population growth. On **national level**, support to national urban strategies, migration strategies or decentralization processes contributes to improved urban governance. Of key importance is a coherent approach on the different local, regional and national levels.

- (2) **Economic development and decent employment** is especially important for a growing and young population in the cities often underemployed and unskilled. Such thematic engagement can contribute to support the positive impact of increased mobility of migrants and of rural residents pushed out of farming. Such support can as well contribute to the reduction of violence and conflict by fighting potential root causes. Facilitated by structured dialogues between the private sector, the administration and citizens, important areas of work are local economic development (LED), market system development, social entrepreneurship, vocational skills development (if necessary combined with access to

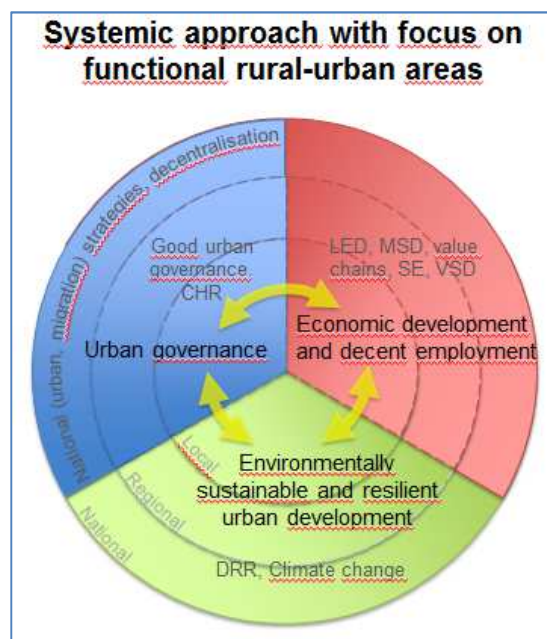


Figure 3: Systemic urban approach with focus on functional rural-urban areas.

quality basic education), value chains linking agriculture to manufacturing / services and supporting positive rural-urban linkages as well as the wider issue of food security (e.g. with innovative farming methods in peri-urban and urban areas). Specific attention needs to be directed to the **informal sector** as a major provider of income-generating activities to youth and women. Collaboration between local government and organized informal sector workers have proved to help develop sustainable solutions that work for all. Especially in such informal settings, a dysfunctional land tenure system is to be addressed as a big obstacle to inclusive, sustainable development.

(3) **Environmentally sustainable and resilient urban development** is the third entry point. As the central role of cities in both climate change and natural and human-made disasters is recognized, creating sustainable and resilient cities that work for the poorest brings together different areas of expertise within SDC: To increase the resilience of cities and peri-urban areas to climate change and disasters, local, regional and national governance is strengthened with regard to **adaptation to climate change** and **disaster risk preparedness**. Additionally, SDC contributes to reduce **environmental hazards** in urban contexts, especially by fostering clean air and thus by improving citizens' health. With such measures (including sustainable natural resource management), SDC contributes to an increased resilience of vulnerable population groups, covering rural, peri-urban and urban areas. Regarding **climate change mitigation**, a special focus is put on energy-efficient building technology and construction material that contribute to a reduction of emissions emerging from the rapidly increasing building stock in cities. Related to the mentioned measures, SDC encourages technology and know-how transfer to the partner countries and uses innovative approaches and best practices for global policy work. This entry point needs to be well coordinated with the above mentioned areas good urban governance and economic development.

These reflections hold true as well for the **humanitarian assistance** (emergency, rehabilitation, reconstruction and disaster prevention) which is increasingly directed to urban centers where protracted crisis take place and a large proportion of refugees and internally displaced people concentrate.

Additional issues identified include the overall **lack of good data** at the local level. This significant problem should best be addressed in collaboration with other actors. Local, community-led data collection using innovative technologies is an important and rapidly developing area that may attract SDC support.

When engaging in such an urban approach, **SDC can build on its experience** especially in the thematic priorities governance; peace, conflict prevention and human rights; employment and economic development; basic education and vocational skills development; food security and agriculture; climate change and environment; disaster risk reduction; migration and gender equality. These themes also offer opportunities for integrated actions in a Whole of Government Approach of SDC with HSD/FDFA and with SECO. In addition to relying on existing experiences, SDC needs to **strengthen specific institutional knowledge on urban issues**.

Important elements of this systemic approach include **South-South cooperation**, especially around the exchange of positive experiences, linking innovative programmes and projects with national and **global dialogues** and building a network of like-minded actors, including bilateral and multilateral agencies, research institutions and the private sector.

### 3.3. SDC contribution to poverty reduction / Sustainable Development Goals

In short, the suggested systemic approach allows SDC to more clearly focus on functional rural-urban areas and three interlinked areas of work which are most relevant for a sustainable and inclusive urbanization process and the reduction of rural and urban poverty. By engaging more significantly and more systematically in the suggested way, SDC improves its **impact on the sustainable reduction of national poverty** in contexts of rapid urbanization.

At the same time, the suggested systemic approach **contributes to Sustainable Development Goal (SDG) 11** and its specific targets, including:

- SDG 11.a Support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning.
- SDG 11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.
- SDG 11.5 Significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations.

Perhaps just as importantly, the proposed entry points contribute to other SDGs, including SDG 1 – End poverty in all its forms everywhere; SDG 2 – End hunger, achieve food security and improve nutrition; SDG 4 on education; SDG 5 – Achieve gender equality; SDG 6 – Water and sanitation; SDG 8 – Promote sustainable economic growth and decent employment; SDG 13 - Take urgent action to combat climate change and its impact; and SDG 16 – Build effective, accountable and inclusive institutions at all levels.