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

Unleashing the Potential of Cities

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

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

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

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

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

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

Daily market activity, Kaneshie Market, Accra, Ghana

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

- Encouraging both advocates and critics of urban development to take a hard look at what cities can contribute to national development and to identify and address cities' performance constraints. Instead of spending more time debating the contribution of cities to development, more energy needs to be spent on unblocking it. The best way to achieve this is by engaging local authorities in the national policy dialogue.
- Examining how cities can be proactive developers of urban infrastructure by mobilising domestic capital more effectively. This underscores the importance of putting development priorities on the balance sheet and using policy consistency and budgetary commitment to attract stable, long-term investment—a process that can be supported through the use of sub-sovereign financing instruments.
- Recognising that both national and city-level policies need to anticipate, and be explicitly predicated upon, the growth of cities. With policymakers in denial, urban growth is currently often taking place in a haphazard and unregulated fashion on the peri-urban periphery, which frequently results in the growth of new slums.

REALISING OPPORTUNITIES FOR GROWTH

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

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

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

Cities are where economies modernise

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

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

Rural areas benefit from urbanisation

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

In countries with limited connections to global markets in particular, the domestic urban market can provide a major stimulus to agriculture, but poor urban policy and the consequent low productivity in cities often prevent them from playing this role. Improving the economic performance of cities is crucial to the reduction of rural poverty through the provision of alternative employment opportunities for rural labour and the stimulation of increased demand for agricultural production.

The benefits of migration

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

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

The informal economy contributes to economic growth

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

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

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

What do formal sector firms say?

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

Infrastructure and other productive inputs:

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

Institutional constraints:

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

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

beit lower (Table 1).[4] For women in Sub-Saharan Africa, the informal economy represents an estimated 92 per cent of all job opportunities outside agriculture, overwhelmingly as self-employment or own-account work.[5]

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

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

Cities and poverty

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

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

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

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

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

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

—: Not available.

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

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

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

Weak legs in city economies

(i) Land and housing markets

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

In many countries, the public sector still dominates the ownership and use of urban land, yet governments often inadequately protect rights-of-way or sensitive areas from settlement. Authorities typically overly restrict on-plot development and under-provide the infrastructure that would valorise land, accommodate growth, and prevent the growth of new slums. This is compounded by the lack of mortgage financing and of microcredit for progressive housing development. Combined with disincentives for rental supply, these deficits frequently conspire to make housing expensive, even for the middle class, and relegate poor households to slum housing.

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

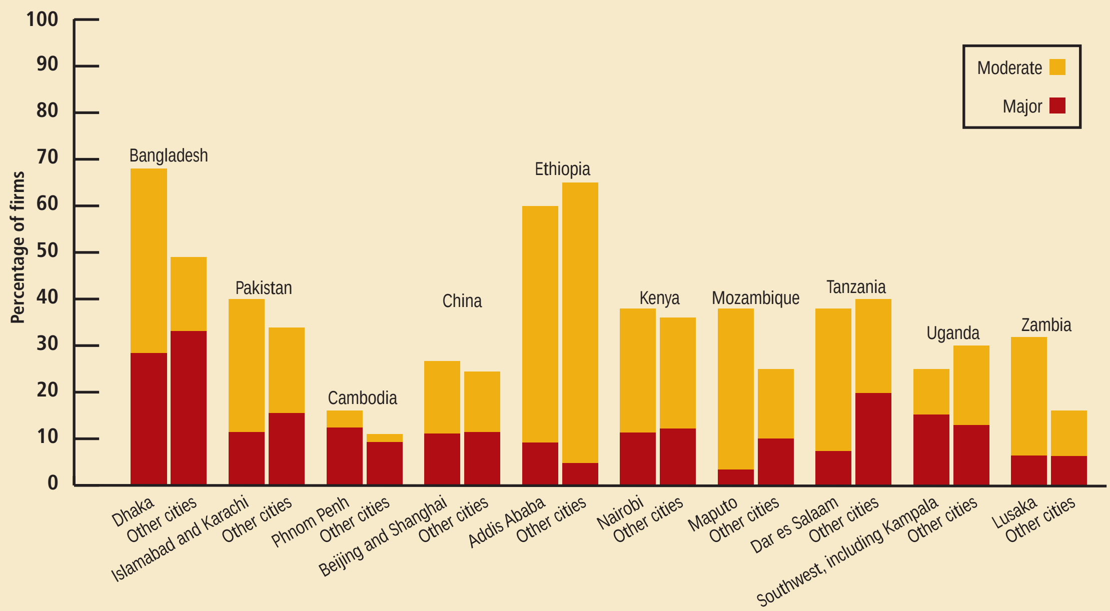
—Alain Bertaud, Robert Buckley, Sumila Gulyani, Kate Owens, and Kevin Villani, *Real Estate Reform in Addis Ababa: Making the City a Platform for Market Development,* Executive Summary (Washington, DC: World Bank, Urban Development Unit, 2004, p. 2).

(ii) Worker mobility

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

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

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



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

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

(iii) Good governance and sustainable finance

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

City financial performance depends, in the first instance, on the intergovernmental fiscal framework, which determines a city's authority to tax and spend, and its access to various forms of central tax revenues. The growth of urban economies should generate a buoyant revenue base that can fund many of a city's own needs and contribute to the nation's coffers, yet the collection and management of local taxation is sorely neglected in many countries. This should be one of the primary concerns of both local and national governments as the urban transition accelerates.

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

Advocates must speak up for cities

Because issues like city size, migration, poverty, crime, and other high-visibility issues often distract national policymakers and international development agencies, cities rarely figure prominently and explicitly in national growth and poverty reduction strategies. Policymakers simply take the functioning of the urban economy for granted. A notable exception is China's Tenth Five-Year Plan of 2001, which advocates increased urbanisation and active city-region interchange to stimulate rural and national economic development.[6]

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

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

FINANCING CITY INVESTMENT NEEDS

To respond to their enormous infrastructure backlogs and plan for future growth, cities in developing countries need to be proactive developers of urban infrastructure rather than just passive providers of services.[9] Even though cities in most developing countries contribute substantially to national income, they rarely receive their due share of key city-level investments, such as water supply, wastewater treatment facilities, and solid waste management systems, despite the widespread recognition that urban infrastructure investments improve the mobility of goods and have positive effects on both economic growth and human well-being.

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

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

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

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

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

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

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

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

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

However, since the 1990s, larger cities in countries such as India, Mexico, and South Africa have accessed capital markets to raise debt for municipal infrastructure based on their own credit rating rather than on guarantees. Some smaller Indian cities have pooled their finance needs to become marketable. But because of demand- and supply-side imperfections, these recent debt offerings have yet to be mainstreamed into the investment process. From the lenders' perspective, lack of a transparent accounting system, near absence of collateral, and project revenue streams that rarely match commercial debt costs are often viewed as constraining factors. From the city's perspective, important impediments include the high transaction costs of commercial finance, the absence of a level playing field in terms of fiscal incentives for municipal debt offerings, and the limited experience of lenders and rating agencies in structuring security mechanisms that are not based on such traditional instruments as collateral or guarantees.

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

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

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

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

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

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

Urban periphery in Jakarta, Indonesia

FOCUSING ON THE GROWTH OF CITIES AND PERI-URBAN AREAS

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

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

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

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

Child hawkers at Xai Xai Market, Mozambique

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

Peri-Urban Variants

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

Peri-urbanisation in the emerging economies of Asia, especially Southeast Asia and China, is largely investment induced, even away from coastal areas in large urban regions in the interior, such as Chongqing, Chengdu, and Wuhan. This model is based on labour-intensive, mass assembly, export-oriented industrialisation. Public policy typically encourages industrial investment outside the existing metropolis through a combination of location incentives and investment in key public infrastructure projects that cater to industry.

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

Peri-Urbanisation and Poverty Reduction

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

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

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

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

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

Current static approaches to urban poverty alleviation need to be rethought. Policymakers need to pay more attention to anticipating flows by those trying to escape rural poverty who potentially become additional urban poor. This means accepting and anticipating urbanisation by supporting peri-urban migrants' access to information networks, employment, and skills training. It requires access to land and to affordable, rapid public transportation systems to enable peri-urban residents to access larger employment and housing markets. It also means ensuring that those who are enveloped do not lose their assets, particularly land, without adequate compensation. Land markets in peri-urban areas, which are all too often controlled by elites and those with political connections, will need to be rationalised and made transparent so that both residents and the private sector can purchase land and provide affordable housing. Without new thinking and policy approaches, the next generation of slums will continue to grow on the periphery of urban areas throughout the developing world.

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