



*Banks of the Jukskei River, Alexandra, Johannesburg, 2002.*

## Cities Alliance Impacts – Linkages to Investments

Linking grant-funded technical assistance to capital investments is central to the Alliance strategy for improving the efficiency and impact of urban development cooperation. The Alliance Charter stipulates that private and public sector investment partners and development banks should be involved in the design of Alliance activities from the outset, so as to increase the potential of attracting investment for implementation.

Over the course of the past year, the Cities Alliance Secretariat has been tracking the investments that are linked with the Alliance work programme. Although this initiative is ongoing, partial results indicate that more than US\$4 billion of investments are linked with Alliance-funded activities. Approximately US\$1.5 billion are from investments already committed, and US\$2.5 billion are prospective investments in various stages of preparation or appraisal.

The investments come from many sources. More than US\$2.3 billion are from World Bank loans and credits. Other investment partners include the Asian and Inter-American Development Banks, the EU and EBRD, and bilateral agencies such as the AfD, CIDA, GTZ, KfW, and SDC.

Importantly, more than US\$0.5 billion of identifiable investments come from local public resources. In São Paulo (Brazil), for instance, nearly US\$188 million in upgrading investments are planned for the *Bairro Legal* programme, much of it from the Municipal Housing Fund, with endowments already approved in the municipal government budget. São Paulo, with the active support of the World Bank, is using US\$300,000 in Alliance funding to help design, plan, and monitor this citywide slum upgrading programme. This Alliance technical assistance funding, informed by global good practice and drawing on the expertise

of Alliance networks, is being used to improve the quality, impact, and sustainability of the much more substantial São Paulo investments.

In Salvador (Brazil) the linkages of Alliance funding (US\$5 million provided by Italian cooperation) with the investments for an on-going upgrading programme improving the lives of 150,000 slum dwellers, has worked so well that the state of Bahia is scaling up the programme statewide, and Italian cooperation has committed an additional €5 million to the Alliance to help implement this new programme.

A somewhat unexpected but significant impact from this project is the linkage of slum dwellers and the non-governmental organisations (NGOs) that assist them with investment capital. The Italian NGO AVSI and its network of local partners have gained credibility and access to compete for construction projects using labour cooperatives that have been formed and capitalising on training provided under the slum upgrading programme being supported by the Alliance-Italian cooperation grant. Starting with construction contracts awarded on a sole-source basis, the president of one cooperative said: “Our ambition is to structure ourselves so that we have more opportunities [to compete for contracts]. We want the opportunity to show we can do this”. A mere year ago this would have been a dream.

The most significant and sustainable investments often come from the slum dwellers themselves. Most monitoring systems have not yet devised an appropriate mechanism to capture the nature and the extent of these critical investments of time, organisation, and finance. Anecdotal evidence from a number of regions in the world suggests that the assets generated by the slum dwellers themselves meet, and often exceed, the formal investments by public and private sector agencies. Cities Alliance members are increasingly investing in empowering slum dwellers by leveraging their investments within the framework of citywide upgrading strategies.

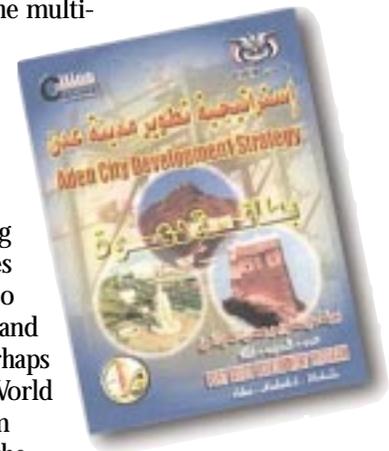
This is a key objective of the Community-Led Infrastructure Finance Facility (CLIFF). This initiative, which is funded by the Alliance through US\$12 million committed by DFID and SIDA, was established to assist organisations of the urban poor improve their demonstrated ability to undertake community-driven development projects by accessing commercial and public sector financing.

Piloted initially in Mumbai (India), CLIFF puts capital investment funds directly under the control of an international NGO, Homeless International, and its Mumbai-based partners: the National Slum Dwellers Federation (NSDF), *Mahila Milan* (Women Together), and the Society for the Promotion of Area Resource Centres (SPARC).

With their proven track record in implementing community-driven projects, CLIFF provides a financial basis that allows SPARC and its partners to leverage national, state, and local subsidies and private capital. Their development approach promotes the use of construction labour, entrepreneurs, and professionals from within Mumbai’s slums. This approach has gained recognition from World Bank procurement officers, who have deemed it “competitive and altogether acceptable”. And in a significant advance, the Mumbai partners have won the right for NGOs to compete for contracts for land and housing projects being tendered by Mumbai’s local authorities.

Improving the pro-poor impact and sustainability of capital investments is also a central goal of Alliance-supported CDS. Although monitoring their impact is just beginning, in several instances CDS have started to shape and change the financing strategies of cities as well as lending instruments of international development partners.

In the Yemeni port city of Aden, for example, the World Bank has designed an Adaptable Program Loan to take advantage of the multi-dimensional aspects of a CDS. Rather than focus only on pre-identified port investments, this loan relies on the integrative CDS approach to identify key investments for Aden, taking full advantage of the linkages not only of the port, but also of the international airport and Aden Free Zone. This is perhaps the first instance of a new World Bank investment mechanism explicitly designed around the outcomes of a CDS planning process.



Improving the city’s ability to better manage existing resources and mobilise additional investments is another demonstrable benefit of utilising a CDS process. In the Guiyang (China)

CDS, municipal debt management received special attention, putting the city in a stronger position to attract funding from both domestic and international sources. In Latvia, the CDS process is seen by the eight leading cities as a chance to successfully tap the EU's accession funds, which until now could not be fully utilised. The South African government has created a funding mechanism for urban restructuring that provides an excellent incentive for the efforts of the South African Cities Network to improve the governance and competitiveness of South Africa's major cities.

In Indonesia, the World Bank, UN-HABITAT, and the UNDP are supporting the government's decentralisation efforts, including the institutionalisation of poverty-centred CDS as one of the primary tools for prioritising urban investments. The government and the World Bank intend to use the priorities established through participatory CDS processes in at least seven cities to inform urban investments to be made in 30 cities through a US\$100 million World Bank investment.

The Philippines has had a very active CDS programme over the past few years, involving no

less than 40 secondary cities, financed by the Alliance and government of Japan, supported by UN-HABITAT and the World Bank, and implemented by the League of Cities of the Philippines. Based on this experience, the Government and World Bank are now preparing a new project that will be designed to link investments to these CDS outcomes.

Linking to investments must also increasingly engage non-public sector resources. This will be the focus of the Alliance's next Public Policy Forum to be held in São Paulo in October 2003. The Forum will focus on sustainable financing strategies for cities and financial services for the urban poor – issues which concern the public sector, private sector and international development partners alike. The Alliance hopes to build on the ideas exchanged during the Forum to more systematically support sustainable financing strategies for cities as an outcome of CDS, as well as savings and credit mechanisms to more effectively leverage the operations of local private sector financial institutions and the resources of slum dwellers themselves.