



Lagos, Nigeria

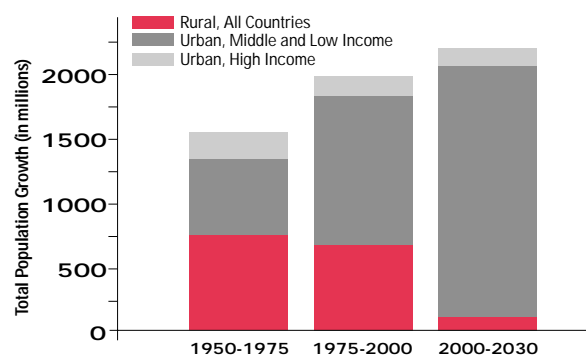
City Development Strategies

During its four years of existence, the Cities Alliance has supported a wide range of city development strategies (CDS) in more than 80 cities in 25 countries. CDS have been carried out by cities in all regions, with populations varying from cities of 50,000 to city-regions with more than ten million inhabitants.

Given the diversity of cities, there is no universally applicable best practice for the implementation of a city development strategy. Each city needs to identify and recognise its own opportunities and problems, which may vary considerably according to its location, level of economic, social, and institutional development, and many other factors.

This year the Cities Alliance has made considerable progress in collating the CDS experience, lessons learned, and tools from cities in all regions (see CDS site on www.citiesalliance.org). Together this material illustrates how CDS help cities both in

Almost all growth is now taking place in developing country cities



Humanity is only about half way through its transformation to urban living. Over the next 30 years the global urban population will increase by more than 2 billion – virtually all of this in developing country cities.²

² National Research Council (2003). *Cities Transformed: Demographic Change and Its Implications in the Developing World*. Panel on Urban Population Dynamics, M.R. Montgomery, R. Stren, B. Cohen, and H.E. Reed, eds. Washington DC: The National Academies Press.

planning for their future growth and in strengthening their decision-making processes to set priorities and achieve results. The approach to CDS supported by Alliance members targets equitable growth in cities and their surrounding regions, developed and sustained through participation, to improve the quality of life for all citizens.

The following summaries of six Alliance-supported CDS processes illustrate how comprehensive and well-executed city development strategies result in improved urban governance as well as investments.

These case examples underscore the importance of city officials themselves taking the lead while actively involving the urban poor and local business leaders in a wider participatory process. A thorough assessment of the city and its region – focusing on its comparative advantages, its change drivers, and resources, including the assets and knowledge of the urban poor and the values and preferences of the city's residents – has proven to be an essential starting point for a city development strategy. It is also increasingly clear that the success of a CDS process is directly related to the extent to which the local business community and civil society are engaged.

Three other key building blocks of a CDS include:³

- Creating a shared *vision* of the city's future among all stakeholders – a vision that looks long term but motivates short-term action;
- Developing a *strategy* that is realistic but challenging and focuses on a limited number of actions with high probability of producing results; and
- Having an *implementation plan* that focuses on accountability – what, when, how much, and whose resources by year, including indicators for monitoring results.

What Can a CDS Achieve?

Goals:

- Improved urban governance and management;
- Increased economic growth and employment;
- Sustained poverty reduction.

Outcomes:

- Policy, governance, and institutional reforms;
 - Financing strategies and investment programmes;
 - Monitoring mechanisms.
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Farhan Al-Marsh, Aden CDS team member

Yemen

Aden City Development Strategy at the Centre of a World Bank Loan

The following excerpt from a World Bank press release⁴ announcing the approval of new World Bank Adaptable Program Loan for Aden illustrates how CDS are changing and shaping the investment instruments of Alliance partners.

With a gross national product per capita of US\$460, Yemen's 18.5 million people remain among the poorest in the world. About 42 percent of households live below the poverty line, and approximately 25 percent are unemployed or underemployed. One of the challenges facing Yemen is to reduce its dependence on its rapidly depleting oil reserves by turning to non-oil sectors. Another important challenge for Yemen is attracting private investment.

The first phase of the Port Cities Development Program will focus on Aden, Yemen's commercial hub, whose strategic location at the tip of the Arabian peninsula once made it the second

³ Douglas Webster, Consulting Professor Asia Pacific Research Center, Stanford University. 'Formulating City Development Strategies in China: Methodological Steps'. Presentation prepared for CDS workshop in Beijing, China, 6-7 July 2002; see www.citiesalliance.org.

⁴ World Bank. *Today*, 30 January 2003.

busiest port in the world. The programme in Aden will begin with small-scale infrastructure investments, such as improving facilities at a local fish market and road works at an industrial estate, to elevate small business growth and build linkages to Aden's transport facilities. Training and investment planning will begin in parallel in both Hodeidah and Mukalla.

To attract private investors, the first phase will also focus on enhancing the ability of Aden's local government to deliver transparent and efficient services to the private sector through administrative modernization, automation of business transactions and information and communications technology.

The Port Cities Development Program coincided with Aden's preparation of a City Development Strategy (CDS), aided by the technical and financial support of the Cities Alliance. The CDS aims at developing a shared vision for the city's future and local priorities for action by bringing together key stakeholders—including NGOs, the private sector, Aden University and women's

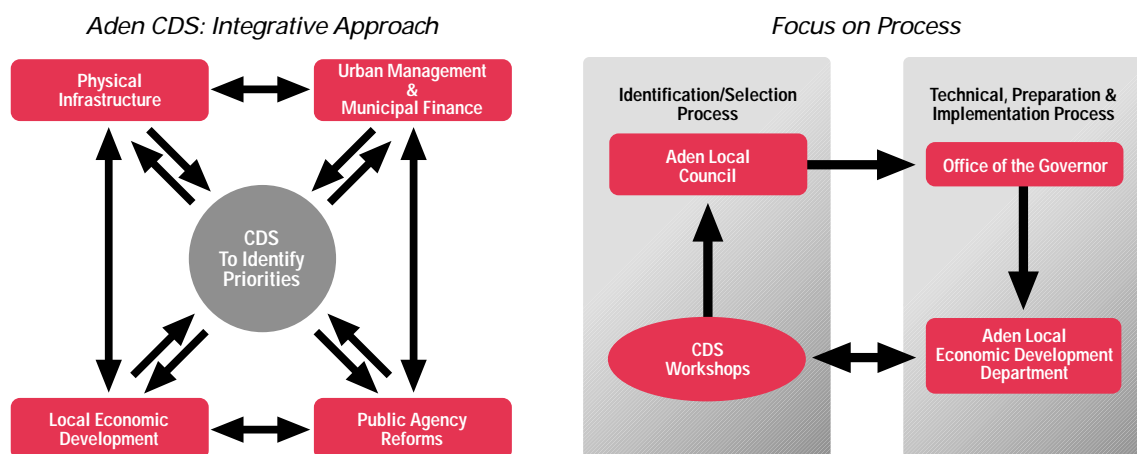
organizations—in a participatory process to collectively shape the local economic development agenda of Aden.

The Aden City Development Strategy for Local Economic Development is being financed through the Cities Alliance to support the local authorities in several key areas: providing quality and adequate basic services to both citizens and investors, attracting investment to expand employment and services, and defining effective and sustained urban poverty reduction policies. The CDS process in Aden is supported by the World Bank and AUDI, as well as by GTZ and UNDP which are complementing the CDS through their ongoing programmes.

Aden's CDS is at the centre of a US\$96 million investment programme that intends over a 12-year period to strengthen the investment climate, encourage growth, and create jobs in three coastal cities of Yemen. The Aden CDS has shaped the first phase US\$23 million credit approved in January 2003 and focuses not only on investments, but above all on institutional and policy reforms as well as on enabling a better business environment through coordination among all levels of government, the private sector, and civil society.

Linkages between the city and major national investment programmes in the port, the airport, and the free zone are essential for attracting investment to expand employment and services as well as for providing quality and adequate basic services to both citizens and investors.

The city of Aden has institutionalised the CDS process



Source: Omar Razzaz, World Bank. "Globalization and Links with Urbanisation - The Case of Yemen: Yemen Port Cities Development Program". Presentation at World Bank Urban Forum, December 2002.

Essentials of a CDS

Assess the state of the city and its region

Each city needs to identify and analyse its own opportunities and problems; the values and preferences of its residents; its change drivers, including its relationship to its region and the national and global economy; and its assets and resources.

Develop a long-term vision

A shared strategic understanding among all stakeholders is essential to align energies to work cohesively for the good of the city. Thinking citywide provides a mechanism for local stakeholders to assess the linkages between their respective priorities for health, security, jobs, housing, education, transport, and the environment and to develop a shared vision.

Act now with focus on results

Although the vision has a long-term perspective, the strategy should focus on short-term results and accountability – indicating the role for many key stakeholders, not just local government. It is helpful to start with a limited number of actions that respond to common concerns and that are challenging but have a high probability of producing results.

Value the contributions of the poor

The urban poor have demonstrated enormous resilience and ingenuity in mobilising and organising themselves when formal institutions have failed to serve them. The CDS process capitalises on the enormous potential of the urban poor as development agents by supporting their participation in decision-making processes that affect their livelihood.

Encourage local business growth

Involving key stakeholders and collaborative leadership and responsibility is a more effective way of creating a business-enabling environment than just relying on tax-based incentives that sometimes divert resources needed for critical infrastructure investments.

Engage networks of cities

Learning from peers through city-to-city knowledge-sharing networks has proven the most effective and sustainable way to transfer knowledge. The involvement of local government associations is considered crucial for the institutionalisation and replication of a CDS.

Focus on implementation

Implementation is at the heart of a CDS, not the development of a perfect plan. Successful strategies mix means, clearly identify institutional responsibilities, and provide incentives for performance. Stakeholders learn to integrate evaluation and impact targets from the beginning, learn from errors, and revise the strategy in the next round.

Concentrate on priorities

A strategy reflects tough choices and focuses on a limited number of actions as well as on available resources to shape emerging opportunities. Strategic planning involves making informed decisions in a rapidly changing environment.

Foster local leadership

The sustainability and effectiveness of the CDS process depend to a great extent on the active involvement of the mayor, high-ranking local government officials, and representatives from the municipal council. If not anchored in the yearly municipal budget with a sustainable financing strategy, the CDS will remain just another planning document.

China

City-region CDS and Measuring Impacts and Performance

Over the last four years the Cities Alliance has supported CDS in secondary cities in China. Implementation has been guided by the World Bank working in partnership with China's Ministry of Finance, the National Development and Reform Commission, the China Association of Mayors, and the concerned city and provincial authorities. The first round of CDS in China included the city of Guiyang in Guizhou Province and the Changsa/Zhuzhou/Xiangtan (CZT) city-region in Hunan Province. These efforts resulted in the development of regional strategies to help overcome the deficiencies of the fragmented governance structure of a large metropolitan area. Linked to these was a comprehensive, prioritised investment programme to address the city-region's infrastructure needs; the programme was designed to be financed through a mixture of local, national, and international sources.

The ongoing round of CDS in the Chengdu, Zhengzhou, Lanzhou, and Erdos/Dongsheng city-regions is being carried out with co-financing from DFID and the World Bank. This work includes an analysis of vulnerable groups and minimum standard schemes designed to improve their living conditions. With strong urban-rural linkages these city-regions also play a prominent role in improving the living standards in surrounding regions.

Initiating these city development strategies has also reinforced among policy makers and managers at the central and local levels in China that urban management interventions need to be monitored against their objectives with clear targets, so that investment policies and development strategies may be adjusted as city development circumstances change.

Responding to this demand, the Alliance has also supported a CDS Indicators Project in China, which was completed this year. This project was designed and implemented by UN-HABITAT to assist the CZT city-region, Guiyang, and Shenyang in developing and maintaining a set of performance indicators. This helped the cities measure improvements in living standards and urban management.

Much remains to be done, however, particularly in enhancing the capacity of the participating cities to adapt existing indicators, especially devising the appropriate criteria for disaggregating, and eventually to incorporate these indicators into the budgeting and planning processes.

Eight Steps for Developing a Performance Indicators System: A Bottom-up Approach

- Agree on the performance outcomes to monitor: start with CDS and other development plans and identify outcomes to monitor using indicator;
- Select key indicators to monitor outcomes;
- Collect baseline data on the selected indicators;
- Set realistic targets for indicators;
- Monitor performance using the indicators: collect data on indicators and compare them with the targets;
- Report the findings of performance monitoring: identify and explain any gap(s);
- Use the findings from monitoring to make adjustments: revise policies, programmes, and projects; and
- Sustain the monitoring system.

Source: Kyung-Hwan Kim. China CDS Performance Indicators Manual. Prepared for UN HABITAT-Fukuoka Office. December 2002.

Nigeria

City Development Strategy for Karu's Economic Development

Karu is a very fast growing satellite town in Nasarawa State, located on the outskirts of Nigeria's capital, Abuja. Karu's population was about 10,000 in 1991 and increased to an estimated 50,000 by 2001. Due to the continued strong migration from other parts of Nigeria, the current growth rate is now estimated at 40 percent per annum.

A broad objective of the recently completed Karu CDS, which was co-sponsored by the World Bank and UN-HABITAT, was to support the city government in effectively managing this continuing tide of growth. This was to be achieved by developing a local economic development (LED) strategy that would reduce poverty and maximise economic growth.

The most important result of the CDS was the establishment of a participatory framework for the state and local governments to interact with Karu's informal businesses (now organised into the Business and Economic Development Committee of Karu), as well as its citizens, on all matters that affect Karu. Residents have been mobilised and officials at both the state and local government levels are more aware that business processes in Karu need to become more participatory.

The CDS process has demonstrated the desire and ability of Karu's residents to participate in citywide consultations on planning, budgetary, and service delivery-related issues. It has also demonstrated that the citizens value and expect timely and transparent communication from local and state governments, especially with respect to the management of public expenditure in Karu. State and local governments have therefore implemented several activities to increase transparency and to help mobilise local resources, including regular meetings with citizens to discuss development issues.

From the outset, the Karu CDS was closely linked to the preparation of a multi-city lending programme for urban upgrading: the World Bank's International Development Association (IDA)-supported Community-Based Urban Development Project. This link was critical in realising the full potential of the CDS process and resulted in several recommendations for the creation of an Upgrading Fund.

Due to the positive reception of the CDS approach in Karu, Lagos State Government, with the support of the World Bank and Cities Alliance, is preparing a strategy for economic development and poverty reduction, which will include a citywide upgrading strategy and a CDS focused on local economic development.

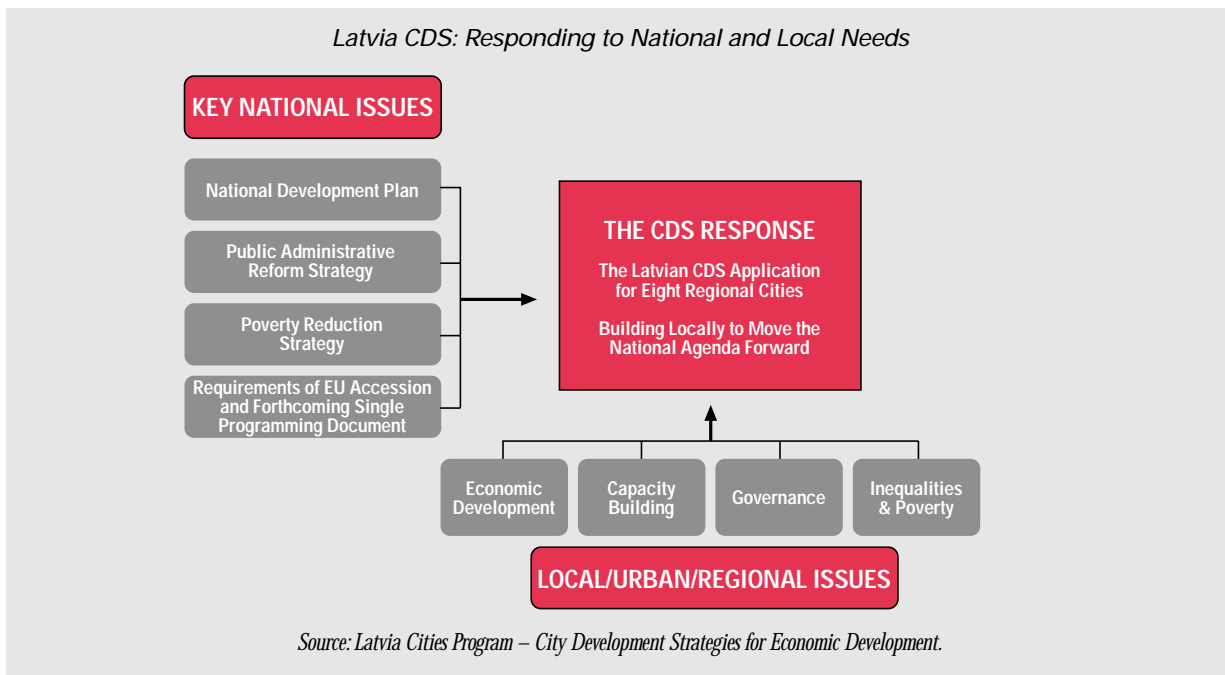
Karu's CDS

Objectives:

- (i) Improve governance;
- (ii) Raise awareness among decision makers about pro-growth and pro-poor policies; and
- (iii) Develop a local government strategy for growth and poverty reduction.

Outputs:

- (i) The "Karu: Economy and Employment Structure and Trends" analysis;
 - (ii) An organised consortium of local businesses in Karu: the Business and Economic Development Committee;
 - (iii) An LED Strategy which identifies actions that can be taken at the local government level;
 - (iv) Technical reports on governance and management institutions, land use management, and urban services management; and
 - (v) A citywide consultation report charting the proceedings and the way forward.
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Latvia

City Development Strategies in Eight Cities

Despite Latvia's impressive economic growth performance and successful macroeconomic management during the last seven years, this country of 2.4 million inhabitants is still characterised by high unemployment, poverty, uneven development, and economic and social inequalities.

Consequently, Latvia's recent Poverty Reduction Strategy (PRS) sets the goal to reduce the number of poor by half by 2015. Although the PRS is well embedded in a National Development Plan and a Public Administrative Reform Strategy, all three national initiatives have been severely hampered by the lack of a coherent focus on implementation. Action plans, which prioritise and sequence policy interventions and investments, are embryonic and often lack local inputs.

In order to advance the implementation of the PRS, eight leading cities of Latvia (Daugavpils, Jelgava, Jurmala, Liepaja, Rezekne, Riga, Valmiera, and Ventspils) and the Open Society Institute have joined forces with the World Bank and UN-HABITAT to develop a Cities Alliance-supported

CDS programme that encourages local economic development and the promotion of an entrepreneurial and competitive economy. The CDS programme aims to mobilise local resources and to provide local answers to some of the economic and social challenges Latvia faces today.

The CDS programme, which started in 2003, focuses on: (a) devising local economic development strategies and action plans; (b) improving governance structures in the cities, based on stakeholder participation and partnerships between local government, citizens, and the private sector; (c) increasing the capacity of local governments to take advantage of significant potential investment opportunities, including public-private partnerships and EU accession funds available for Latvia; and (d) building capacity and capability within the cities and regional development agencies to ensure scaling-up and replication on a national scale.

Each city has established a steering committee/partnership forum, made up of key stakeholders from all sectors, which advises and guides the CDS process. In addition, the CDS process has been anchored in the 2003 city budgets by the elected city councils.

An interesting feature of the Latvian CDS programme was the intense preparation and building of partnerships that preceded the application process to Cities Alliance funding, as

well as the close coordination among national authorities. In several meetings and workshops, mayors, the Ministry of Finance, regional development agencies, and other stakeholders systematically developed a common approach to the CDS, which rooted it firmly in national development priorities and underlined the need for effective delivery of projects and investments. Thus, even during the preparation process, the city development strategy had an impact on how Latvian local governments will interact with different stakeholders in new and innovative forms of urban governance.



Peshawar, Pakistan

Pakistan

Peshawar's CDS: Institutional Reform and Governance

The Peshawar CDS, which focuses on the creation of an enabling environment and on making better use of existing resources and institutions, has prioritised institutional development and improved governance. Although very ambitious in scope, the strategy does not rely on large donor assistance or federal and provincial grants for implementation, but is rather a pragmatic response to the city district's needs and priorities that can be largely implemented within the mandate and current capacities of the city district. It offers significant potential for sustainable benefits to over 2.5 million city district residents.

The CDS process in Peshawar was initiated in May 2001 by the Peshawar Municipal Corporation and supported by UN-HABITAT and the World Bank through a Cities Alliance grant. Shortly after the CDS was initiated, the national devolution and decentralisation process brought unprecedented changes in the structure of local government. In August 2001, the federal government announced its plan to devolve power, changing the entire system of development planning and administration. All key agencies for service provision were decentralised and re-structured at the provincial and district levels. The Peshawar Municipal Corporation was abolished and replaced by four autonomous town municipal administrations representing each of the towns in the Peshawar City District.

At the same time, the scope of the Peshawar CDS expanded. With the introduction of the new local government system, the geographic boundaries of Peshawar increased fivefold to 1,257 square kilometres. Faced with high expectations from the rural constituencies, representing 50 percent of the city district, the district government recommended that the geographic and sectoral scope of the CDS be expanded, to move beyond the initial focus on urban development and municipal service provision.

A series of stakeholder consultations held during the CDS formulation process highlighted institutional and governance issues as the most pressing concern in the new city district. These priorities were further validated by the first citywide consultation workshop, which concluded that the city district must prioritise its limited resources. As a result, the CDS has focused on eight broad areas of concern that impact on a wide range of local government institutions:

- Devolution and decentralisation;
- Policy issues;
- Human, material, and financial resources;
- Capacity building;
- Accountability and transparency;
- Equity;
- Improving law, order, and justice; and
- Roles and responsibilities of provincial and local governments, civil society, and citizens.

There was near unanimity among the key city stakeholders that no sensible developments could take place in Peshawar unless the government first addressed the core institutional issues of the city district – issues relating to services and the living environment of the city district. Through its recommendations the CDS has offered direction and strategic choices that will in turn allow the Peshawar City District government to better manage its mandate of local governance and service delivery.

In fact, the CDS review showed that: (a) available resources could be far better utilised, (b) local revenues could realistically almost be doubled, and (c) an even larger potential exists for new capital investments by the private sector through partnerships in the municipal service sector, health, education, and transport.

Although the Cities Alliance support to the CDS process concluded only very recently (March 2003), as a direct result of its impact and realistic short- to medium-term approach, the Provincial Local Government Department has already circulated the Peshawar CDS reports to all the 23 other districts in the province for "...guidance for resolution of similar issues in their jurisdictions".

South African Cities Network

www.sacities.net

The South African Cities Network (SACN) was launched in October 2002 by South Africa's nine metropolitan areas – Buffalo City (East London), Cape Town, Ekurhuleni (East Rand), eThekweni (Durban), Johannesburg, Mangaung (Bloemfontein), Msunduzi (Pietermaritzburg), Nelson Mandela (Port Elizabeth), and Tshwane (Pretoria) – together with the Department of Provincial and Local Government and the South African Local Government Association (SALGA). Together these cities contribute more than 60 percent to South Africa's gross domestic product and represent more than 17 million inhabitants.

SACN is a direct outgrowth of several key transformation processes in South Africa's post-apartheid history. First and foremost, all local governments in the country have been

redemarcated to abolish racially-based local government. Second, the newly demarcated cities require radically new development strategies to deal effectively with the goals of the democratic era. Johannesburg pioneered this strategic transformation process through their *iGoli* process which included CDS-related activities supported by the Cities Alliance through the World Bank, UN-HABITAT, USAID, and others from 2000-2002. SACN's core objective is to build upon these strategic transformation experiences through the exchange of information and best practices of large city governments in achieving the goals of equitable economic development and poverty reduction.

Tshwane has stopped the talking and started the walking—we are doing something practical, innovative, and achievable to achieve connectivity. We are willing to share our experiences with not only other South African cities, but in the spirit of NEPAD, all African cities. The City of Tshwane supports the SACN to contribute to the increase in national economic growth and development by strengthening the competitiveness of major cities through mutual support, learning and cooperation.

*Father Smangaliso Mkhathshwa, Executive Mayor, City of Tshwane
13 December 2002*

Source: South African Cities Network, www.sacities.net.

The SACN has adopted the city development strategy as its core integrating programme, promoting sustainable cities which are productive, inclusive, sustainable, and well governed. SACN is supporting the analysis of the strategic challenges facing South Africa's cities and promoting a learning partnership between civic leaders and different spheres of government. Cities Alliance support to the SACN includes contributions to its city development strategy programme, enhancing the effectiveness of citywide slum upgrading in the framework of the National Urban Renewal Strategy, developing strategies to more effectively deal with urban poverty and HIV/AIDS, and indicators to help measure city performance. SACN also seeks to

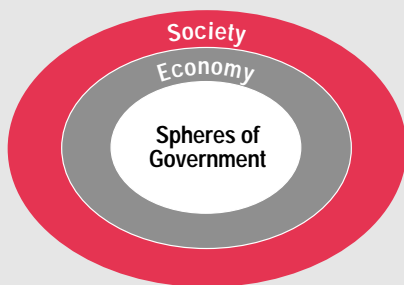
elevate the urban policy debate and good practices to a broader audience within the country and region and internationally through the annual State of South African Cities Report, the first edition of which is due to be issued in November 2003.

Not only will SACN activities lead to improved governance, knowledge, and networking of the cities, they are also linked to major national, provincial, and local investments. To support cities in designing and implementing city development strategies, the National Treasury has established the Financial Restructuring Grant fund with approximately R700 million. This fund was created partly as a consequence of the *iGoli* CDS process in Johannesburg and is now being expanded to assist restructuring in large cities throughout the country. Additional finance for follow-up investments of the CDS may include various government infrastructure grants totalling R2.3 billion; as well as pro-poor economic development programmes totalling more than R5 billion. New initiatives are upcoming: in

this financial year the government has introduced the Regeneration Tax Credit which will allow accelerated depreciation of private investments in targeted urban areas, as well as the Community Reinvestment Bill, scheduled to become an Act in the ongoing Parliamentary session, which will further encourage private lending in poor urban areas currently 'redlined'.

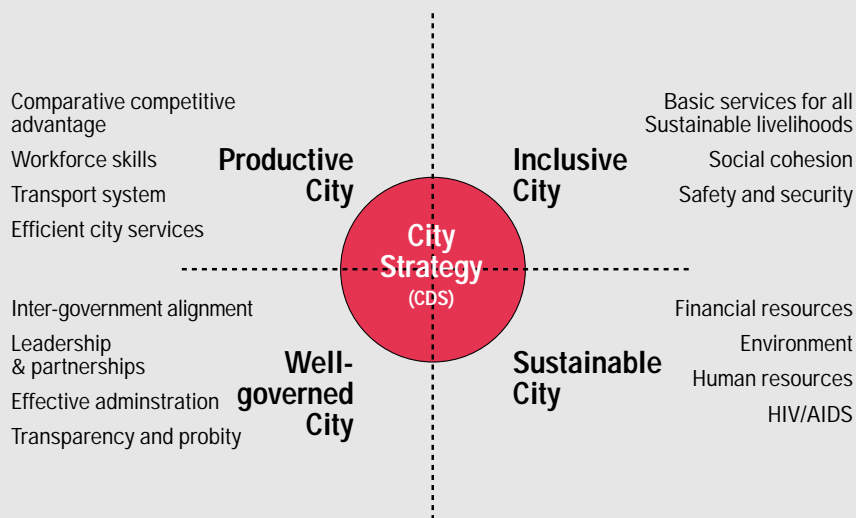
The SACN will also play a pivotal role in supporting implementation of the National Urban Renewal Strategy, which has over 2 million potential beneficiaries in major South African cities; working with the Department of Trade and Industry in promoting employment and support for entrepreneurs; with the Department of Housing in rethinking the ways in which housing subsidies are supplied and targeted; and generally at the national policy level in contributing to the form and content of the country's policy and fiscal framework on issues of urban growth, productivity, and poverty reduction.

City Development Strategy: Mobilising Tool



- Average investment and employment in cities:
 - 20% from government
 - 80% private sector
- Critical mass depends on mobilising business and other stakeholders to support vision and implementation

City Strategic Framework: Structure for Strategic Agenda



Source: Andrew Boraine, Advisor to Minister for Provincial and Local Government, South Africa; and Chairman, SACN Board of Directors. Presentation at World Bank, 18 March 2003.