

CITIES ALLIANCE IN ACTION

In the five years since the Heads of State adopted the Millennium Declaration in September 2000, the Millennium Development Goals have become the central frame of reference for most bilateral and multilateral development agencies. More importantly, responsibility for the implementation of the MDGs is gradually being mainstreamed into the core business of national governments worldwide.

As issues of policy, institutional arrangements, budgeting, monitoring and ownership are being addressed at the national level, the challenge of meeting the MDG targets is also beginning to be shared between different spheres of government. As goals shared by all, the MDGs are increasingly galvanising local governments, and in turn, the private sector and organisations of civil society.

Meeting the MDG targets on extreme poverty will largely depend on the creation of productive urban environments, capable of sustaining economic growth. However, in the areas of greatest need, in Asia and, more particularly, in Sub-Saharan Africa, cities have been falling behind, and are increasingly home to extreme poverty.

The world's slums, arguably, constitute the greatest concentration of development deficits that cut across the Millennium Development Goals: poverty, education, gender inequality, child mortality, disease, degraded environments and so on. In its report presented to the Secretary General, the UN Millennium Project made a number of specific recommendations regarding urban development, which entirely accord with the experience and approach of the Cities Alliance and its members.² Given the pressures that urbanisation imposes on cities, finding alternatives to new slum formation and improving the lives of slum dwellers, as called for in the Millennium Development Goals, are essential goods in themselves and necessary for raising urban productivity.³ This is only possible when local governments are empowered with the necessary policy responsibility, authority and resources within a clear and supportive national framework.

The Millennium Project identified a clear set of objectives to make cities more productive, and create the environment in which all stakeholders, particularly the slum dwellers, can contribute to the creation of economic growth. These are:

- Improving security of tenure for slum dwellers;
- Upgrading slums and improving housing;
- Expanding citywide infrastructure and effective service delivery;
- Creating urban jobs through economic empowerment; and
- Providing alternatives to slum formation.

In the Declaration adopted at its Founding Congress, United Cities and Local Governments (UCLG) articulated the vital role of local governments in achieving the Millennium Development Goals, "...which are part of our daily duties in serving our cities and communities".⁴ The Cities Alliance is supporting and working with UCLG to strengthen the role of local governments in responding to the challenges of

² *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals*, Report to the Secretary General by the Millennium Project. UNDP, Earthscan, 2005. See, in particular, Chapter Five.

³ *A Home in the City*; Report of the Millennium Project Task Force on Improving the Lives of Slum Dwellers, Earthscan, 2005.

⁴ UCLG, Founding Congress Final Declaration, 'Cities, Local Governments: The Future for Development,' Paris, 5 May 2004.

the MDGs, through two important new initiatives:

- The first is to work with UCLG and its members to develop city development strategies that incorporate the MDG targets as part of their policy, planning and investment prioritisation process;
- The second initiative is the creation of a Municipal Finance Commission, which will act as an advisory body to UCLG members, the Cities Alliance and the Municipal Finance Task Force on matters relating to municipal finance, and assist UCLG members to access current thinking and innovations in mobilising long-term finance for infrastructure investments.

These initiatives will augment and build upon the leadership that has already been demonstrated by cities around the world—cities like Ahmedabad and Bangalore in India, Bogota in Colombia, Curitiba in Brazil and Muñoz in the Philippines that have taken the lead by adopting MDG targets to motivate and measure progress in improving service delivery to all citizens.

CURITIBA

With the assistance of the Federation of Industries of the State of Parana and UN-Habitat, Curitiba has applied the MDG indicators to the entire metropolitan area of Curitiba, setting their baseline and targets for the MDGs, which they call 8 *Jeitos de Mudar o Mundo*—8 ways to change the world. In order to monitor progress, 48 indicators have been adopted, under the slogan:

Nos Podemos! —We Can!

MUÑOZ

The Science City of Muñoz has adopted the 8 MDGs through a localisation process, through which it has:

- Held city consultations to set MDG targets;
- Passed a Council resolution adopting the targets;
- Aligned MDG targets with city plans and the budget; and
- Updated the city poverty monitoring system.

The Alliance has also expanded its partnerships focusing on financing for cities and the urban poor through four major initiatives:

Municipal Finance Task Force

In keeping with its commitment to helping cities become proactive developers of urban infrastructure by mobilising domestic long-term capital, the Alliance's recently established Municipal Finance Task Force has set out to identify ways to increase the flow of long-term private capital to developing cities in support of their slum upgrading and CDSs. To this end, the task force will serve as a forum for collecting the experiences and views of international experts on municipal finance and private capital mobilisation for use in formulating practical interventions.

The MFTF's web site and discussion group are expected to be operational by the end of 2005, at which time the case studies, several draft discussion papers and a tool kit for cities on financial stocktaking and on prioritising investments will be available.

The Community-Led Infrastructure Finance Facility

The Community-Led Infrastructure Finance Facility (CLIFF) is a mechanism that facilitates access to capital by organisations of the urban poor. Now in its third year of operation in India, CLIFF capital funds, as of December 2004, had supported 10 community-led development projects: eight housing developments providing safe, secure and affordable shelter with secure tenure for 2,816 households, and two sanitation projects designed to benefit more than 200,000 slum families in Mumbai and Pune.

A main aim of CLIFF is to leverage slum dwellers' financial and nonfinancial assets so as to access resources from both the public and private sectors. CLIFF has allocated capital funds of some

£4.2 million, which are projected to produce revenues of about £12.0 million, including £4.5 million in government contracts and subsidy payments and £7.2 million from the sale of residential units. As of December 2004, CLIFF had leveraged a total of £1.7 million from private sector banks.

Central to the CLIFF approach is its response to local demand and local capacity. It does not seek to plan, manage and implement slum development projects conceived by professionals, but rather to catalyse support for large-scale solutions developed by poor communities and the organisations with which they work. CLIFF works with poor communities and their networks that have the capacity to manage money, usually built up through experience with community-based savings and credit schemes. CLIFF helps such communities manage and mitigate the risks of their development projects, including political and financial risks, thereby helping them achieve greater scale. CLIFF-financed projects have, for example, faced shorter delays in obtaining permissions from city and state authorities, which in turn reduces delays in receiving subsidies, contract payments and other revenues.

During the year, CLIFF took first steps to initiate a second pilot scheme, this time in Nairobi. The pilot will be undertaken in the huge Kibera slum by Kenyan partners Pamoja Trust and Muungano wa Wanavajiji.

The Slum Upgrading Facility

At its 2004 Annual Meeting in Durban, the Cities Alliance Consultative Group approved the first phase of the work programme for the Slum Upgrading Facility (SUF), a new global facility located within UN-HABITAT. SUF is designed to provide technical assistance to help cities and countries develop bankable housing projects for low-income households, for upgrading slums and for providing urban infrastructure.

Jointly funded by DFID and the SIDA through the Cities Alliance, the Facility's central approach is to help developing countries mobilise domestic capital by facilitating links among local actors and

by packaging attractive investments for urban infrastructure and housing. Following completion of the design phase in 2005, the pilot project implementation phase will run for an initial three-year period. During this phase, a number of countries will be identified to pilot the SUF approach.

The African Union for Housing Finance

The African Union for Housing Finance (AUHF), an association of 37 mortgage banks, building societies and housing corporations operating in 14 African countries, was established in 1984. AUHF's main objectives are:

- To promote greater understanding of savings and homeownership, including the rights and responsibilities of both lenders and borrowers;
- To assist in the application of appropriate technology and to improve housing; and,
- To encourage union members to conduct business in an ethical manner and to raise their technical and financial standards.

Recognising that formal mortgage banking sector services only reach a small part of Africa's population, namely, those who can afford a conventional mortgage, AUHF is actively seeking alternative ways to assist informal sector borrowers, as well as lenders, such as community banks, people's banks, savings associations and credit unions. The Union is an important regional alliance in terms of knowledge networking and advocacy for change and as a finance partner to provide support to broader programmes for scaling up upgrading activities.

AUHF is working with a number of Cities Alliance members to facilitate the development of appropriate housing finance products to support upgrading activities in institutions in four African countries: the Ghana Home Finance Company, Limited; the Tanzania National Housing Finance Corporation; the Swaziland Building Society and the South African Banking Council. It will work with these partners to support the scaling up of slum upgrading activities through the development of viable financing schemes in project cities.