

Joint Work Programme for Equitable Economic Growth in Cities

Cities Alliance
Cities Without Slums

Hosted by:  **UNOPS**

Issue Brief

Equitable Economic Growth Theory of Change

Many countries of the Global South are rapidly urbanising, and while urbanisation is correlated with economic growth, many citizens are excluded from the benefits. Policies which exclusively target market-driven growth have often resulted in excessive concentrations of wealth and inequitable access to public goods and services. Thus, there is a critical need to pursue a model of economic development which benefits all – equitable economic growth (EEG).

A recognition of the importance of equitable economic growth (EEG), and the need to understand how EEG can be effectively promoted, especially in secondary cities, led to the establishment of Cities Alliance's Joint Work Programme (JWP) on EEG in cities in 2016.

The JWP-EEG was a four year programme that worked with local governments, city stakeholders and development partners to produce global knowledge, facilitate policy dialogues and support city-level diagnostics and policy recommendations to respond to the challenges of inequitable economic growth in cities.

The establishment of the JWP-EEG Programme was timely. Efforts by governments and donors to promote EEG in cities in the past often had been limited. Urban development strategies were commonly dominated by short-term economic needs and driven by political imperatives, which jeopardised achieving long-term equitable, inclusive and sustainable growth.

The importance of promoting EEG in Africa was considered to be of particular and urgent

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importance. Current trends indicate that economic growth in most developing economies, especially those in Africa, is unlikely to generate sufficient decent and productive jobs to accommodate the expected significant population increases.

African economies are just not creating enough jobs. According to the African Development Bank (AFDB), growth more often than not is associated with the expansion of low productivity, low return, low income activities in the informal sector.¹ Growth in many cities is generating inequities which limit the ability of the city to be 'successful' – inclusive, sustainable and resilient.

From results chain to theory of change

JWP-EEG took the approach that in order to promote EEG it was necessary to focus on improving equitable access to public goods and services, and in a manner which lead to the creation of jobs and particularly benefited those working in the informal economy.

When the JWP-EEG commenced in 2016, this approach was expressed in a results chain, which was a simplified picture of the programme intervention logic highlighting the relationships or sequence leading from the programme inputs (e.g. funding arrangements) to programme outputs (e.g. technical assistance activities) and onto programme outcomes and impacts (e.g. EEG results).

The use of the results chain underpinned the success of the programme over its four years of operation. The JWP-EEG catalysed a crucial global debate as to how EEG can be achieved, and initiated an effective Campaign City process which focused on policy recommendations and action plans to promote EEG in an urban context.

As the programme evolved the need to construct a Theory of Change (ToC), in which the results chain can be embedded, was recognised. The ToC for EEG, highlights the processes of change leading to improved EEG in cities, mapped out or illustrated as 'outcome pathways'. The EEG ToC can be used as a basis for designing future EEG-focused programmes, and for tailoring the JWP-EEG results chain to a specific city context.

The EEG pathways of change

The ToC presented in Figure 1 takes into account the challenges encountered and lessons learned over the four years of operation of the JWP-EEG, from 2016 to 2020.

The challenge most consistently highlighted by city stakeholders engaged in the programme was that of implementation; moving from policy recommendations to practical and effective intervention.

The ToC assumes that future EEG initiatives address the implementation challenge head-on and focuses on devising pilot, demonstration or priority investment projects which complement policy recommendations and action plan. Acting in combination, the investment projects and policy recommendations of the EEG initiative approach the target EEG impact through three inter-related pathways:

- A people's or community outcome pathway through which improved living standards and well-being are achieved as equitable access to at least basic public goods and services is secured;
- The business or economy outcome pathway through which improved conditions for and the productivity of the informal economy is secured; and
- The government or governance outcome pathway through which city governments become much better able to provide and manage public goods and services in a manner that directly and measurably strengthens EEG.

The government or governance pathway underpins the former two (Figure 1). Improving the capacity and capabilities of urban governments and community organisations is necessary for cities to be able to effectively and efficiently identify key EEG issues, and design, fund and implement relevant investment and policy solutions.



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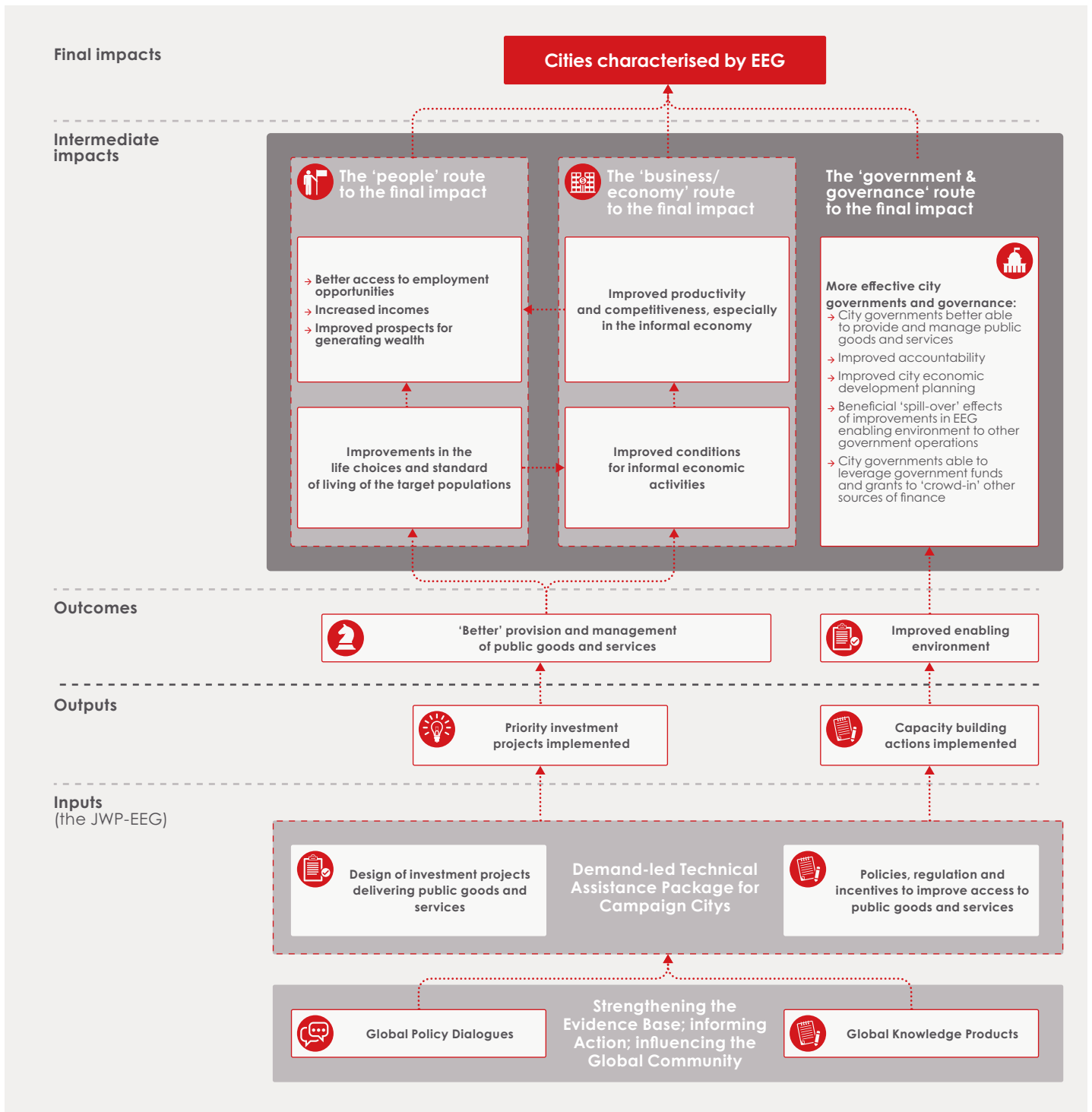


Figure 1: JWP-EEG Theory of Change

The investment projects and policy recommendations of an EEG initiative are achieved through the combined and interrelated impact of the three outcome pathways above. The ToC assumes that future EEG initiatives include a focus on devising pilot, demonstration or priority investment projects which complement Policy Briefs and Recommendations and their related action plans.

The final impact of an EEG initiative should be to create cities characterised by marked increases in EEG and which are more resilient economically and socially. The JWP-EEG initiative will continue to significantly benefit from cross-fertilisation with other

JWPs, particularly that which is focused on making cities more environmentally and climate change impact resilient. Promoting EEG should not be at the expenses of the natural resources, assets and environment upon which the economy ultimate depends.

Based on the ToC, three over-arching conditions should hold for EEG initiatives to be effectively implemented, particularly in the JWP-EEG Campaign Cities:

- **Sufficient funds** must be available to finance relevant programmes and projects;

→ **An economic development and investment strategy** should be in place that directs funds to EEG-relevant public good and service programmes and projects; and,

→ **An effective governance regime** must be institutionalised in order for the first two conditions to be accepted and actively supported by the target beneficiaries, including city residents and the private sector.

Optimising future programming

The JWP-EEG programme was strengthened over the years by building on its successes, learning as challenges were encountered and subsequently adapting. Important challenges, identified at the conclusion of the programme, through the channels of stakeholder feedback and independent reviews, are described below. By addressing these challenges the JWP-EEG will be able to deliver even greater impact in future programmatic work aimed at the promotion of EEG.

Ensuring that sufficient funds are available

Actions to take in order to ensure that financial systems are relevant and effective must focus on ensuring that an urban government can raise sufficient funds required to implement an EEG strategy, programmes and projects. This requires a sustainable financing system that permits and encourages the leverage of scarce government resources so repetitive financings are possible. More specifically, an effective and appropriate financing system requires (i) a stable own source revenue (OSR) generating regime, (ii) appropriate fiscal transfers from central government and a rational system of intergovernmental fiscal transfer rules, and (iii) an effective borrowing framework.

An effective investment strategy

A sound financial system is a necessary but not sufficient condition in order to implement EEG. It is crucial to know what to do with the available funds. A feasible EEG-focused investment strategy is required, as are associated policy and sector plans. An important focus of an EEG-centric economic strategy will be the provision of public goods and services that support and underpin the development of EEG in an urban context, especially in secondary cities. Future Campaign Cities should make direct reference to the way such an economic and investment strategy can be devised and implemented.

An effective governance regime

Governance structure and procedures must include the relations between an individual urban government and (i) higher levels of governments (e.g., county, regional and central), and (ii) the community which the urban government serves (i.e., the urban 'stakeholders'; namely, citizens, community groups, and businesses). Involving the community is another vital component of any programme designed to promote EEG, and should (i) include a process guidance framework for obtaining the consent of the governed for major investments, and (ii) be based on the participatory approaches like the ones that CA employed throughout the JWP-EEG programme.

Putting it all together

The above three conditions are interdependent. For example, sustainable financing arrangements require clarity regarding government powers, responsibilities and resources, and private and public investments can directly complement each other and are nearly always mutually reinforcing. The proposed future Campaign City process would end up with a clearly defined programme of policy improvements and investments including a fund for quick win, priority, or demonstration projects, and a plan to attract funds to a range of longer-term projects and investments.

The proposed process would enhance a city's financial management and access to finance, enable it to better respond to climate change, and lead to investment programmes that development partners could readily take on board. This will greatly enhance the probability that Campaign Cities initiatives lead to a virtuous spiral of development, whereby project investments are allowed for, in a manner that successfully recognises the opportunities to strengthen the enabling environment and foster EEG.

End notes

1. *Enabling Growth: Perspectives and Challenges*: A Presentation of the African Development Bank, at the Borderless Alliance Conference 2014, Lagos, Nigeria, February 2014. Unpublished.

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