

## **Discussion Paper on Urban Employment “Cities Without Jobs?”<sup>1</sup>**

### **Executive Summary**

This Discussion Paper argues that the issue of urban employment has generally been neglected in the global formulation and analysis of the urban challenge. The central role of employment creation and income generation in the process of urban growth has received almost negligible attention in comparison with the main foci of what might be called the “urban conventional wisdom”: housing, infrastructure, land, and governance. This global approach to urban issues could be characterized as if urban analysts and practitioners “have entered the city through the house and the bathroom”, i.e. through housing and residential infrastructure, rather than through the place of work and the market. This entry point reflects the early historical role of architects and urban planners in urban thinking and assistance to cities, but fails to address the important role of cities in national development, reduction of poverty and inequality, and the multiple impacts of global economic and environmental processes on urban areas.

As a result, the vast majority of analyses of cities, as well as urban assistance in developing countries, do not explicitly address the problems of urban employment. This knowledge gap is significant not just because employment and income generation are central to both national development and urban growth, but also because labour is a critical component of urban capital formation. Labour and capital are inter-dependent and nowhere is this more evident than in the fast-growing cities of developing countries.

This Discussion Paper is the first step in a more comprehensive process of developing a Policy Advisory Note on Urban Employment. Such a note was called for by a core group of members of the Cities Alliance, including Sida, DFID, UN-Habitat, Cities Alliance, World Bank, and the ILO. The Cities Alliance and the ILO agreed to jointly prepare this note which would also address how urban employment issues could be integrated into the City Development and Slum Upgrading Strategies of the Cities Alliance.

This Paper provides an overview of recent urban literature, the work of the Cities Alliance in supporting City Development Strategies (CDSs) and Slum Upgrading Strategies, and recent reviews of Poverty Reduction Strategy Papers (PRSPs) undertaken by the World Bank and by the ILO.

This Discussion Paper is intended to:

- Raise awareness on cities’ strategic processes and how they are linked to employment creation at the urban level, and

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- Assess knowledge and capacity gaps in promoting employment at the municipal level and identify actions which might be taken by Cities Alliance members.

Following discussions at the Cities Alliance Consultative Group Meeting in Manila (November, 2007), it is planned to propose a strategy and work program under the Cities Alliance umbrella to address these issues.

The stakes of this work are important. The slogan “Cities without Slums” has been adopted, but this objective depends largely on whether the current situation of “Cities without Jobs” can be remedied.

## **I. Introduction: The Global Formulation: “Cities Without Jobs?”**

In the last several years there have been a growing number of books and major reports about the urbanization of the planet.<sup>2</sup> While some are grounded in careful demographic analysis<sup>3</sup>, others are more focused on the physical form of housing and infrastructure, particularly of the poor.<sup>4</sup> Some portend “the urban future” is already upon us; while others can see the migrants coming over the next hill. Still others use technology and geographical information systems to record the past and to predict inexorable urban spatial expansion.<sup>5</sup> Together, they contribute to a growing conventional wisdom about cities.

Among the new urban explorers are those who celebrate the ingenuity of the urban poor in so-called “shadow cities”,<sup>6</sup> while others stand back from any particular set of cities and proclaim that we are now a “planet of slums”.<sup>7</sup> This condition is decried, but fails to acknowledge the enormous efforts of people in slums themselves to improve their circumstances.<sup>8</sup> These authors often fail to examine often hostile public policies, severe economic deprivation, and technical and institutional problems which slum dwellers face, some of which are often compounded by the very institutions which seek to provide urban assistance.

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<sup>2</sup> This literature review is based on “Thinking Outside the Bubble: The urban Crisis of Land, Labor, and Capital”, presented by Michael Cohen to the Lincoln Institute Symposium on Land Policies in Latin America, Rio de Janeiro, October 1-2, 2007.

<sup>3</sup> National Academy of Sciences, Cities Transformed: Demographic Change and its Implications in the Developing World, (Washington: National Academies Press, 2003) and United Nations’ Population Fund, State of World Population 2007: Unleashing the Potential of Urban Growth, (New York: UNFPA, 2007)

<sup>4</sup> UN Habitat, The Challenge of Slums, Global Report on Human Settlements 2003, (London and Sterling, Virginia: Earthscan, 2003) Millennium Development Project, Home in the City, Report of the Millennium Development Project Task Force, 2004

<sup>5</sup> Shlomo Angel, “Measuring Global Sprawl: The Spatial Structure of the Planet’s Urban Landscape”, (Washington: The Cities Alliance, 2006)

<sup>6</sup> Robert Neuwirth, Shadow Cities: A Billion Squatters, A New Urban World, (New York: Routledge, 2005)

<sup>7</sup> Mike Davis, Planet of Slums, (London and New York: Verso Books, 2006)

<sup>8</sup> See David Satterthwaite, “Asking the Right Questions about Slums”, a review of Mike Davis, Planet of Slums, 2007

Within the urban literature, another set of studies of global urban conditions focus on “global cities” and their role as centres of management and control in the global economy.<sup>9</sup> These studies explore urban networks and linkages within the global economy, and how these have become embedded in local urban spatial and economic structures, such as infrastructure.<sup>10</sup> This analytic work helps to explain the emergence of differences and disparities within urban spaces, among people and places. This literature also admittedly focuses particular attention on how global capital generates employment in specific high-end sectors, namely the financial sector and technology. However, it does not explain overall patterns of capital formation within cities nor of city-wide employment creation itself. On the whole, this literature ignores how capital formation in infrastructure and housing are linked to job creation and to labour markets.

Another approach to urban growth has been through urban geographical studies, showing how city form has changed over time in relation to city function. Some of this work on city growth has been helpful in explaining changes to city form over time, showing the value of a historical perspective. But this focus on space has not identified the economic mechanisms and processes of building cities.<sup>11</sup> Thus, the questions remain:

- how is urban capital created?, or put another way,
- how is the city built? and, most importantly,
- who does it? and
- under what conditions?

Within the conventional wisdom about cities, there are also advocates whose work is characterized by single perspectives and frequently oversimplified – if not reductionist - solutions to curb the ills of cities. For example, the magic bullet solution of land tenure and property rights alone, suggested by Hernando Soto,<sup>12</sup> is limited, because property rights without public infrastructure and without labour rights cannot guarantee improved and sustainable housing and neighbourhoods.

Similarly, simple celebratory notions of privatization of urban services were sold on the grounds that privatized services such as water supply would provide more efficient services to ever-growing numbers of potential clients. This has proven problematic in cities as diverse as Buenos Aires, Cochabamba in Bolivia, Atlanta, and Jakarta. The World Bank, in a recent review of its infrastructure lending over the past twenty years, concludes that its expectations regarding private sector funding and management of infrastructure investments were overoptimistic.<sup>13</sup> A study of the various privatizations in

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<sup>9</sup> Saskia Sassen, The Global City: New York, London, Tokyo, (Princeton: Princeton University Press, 2001, updated edition)

<sup>10</sup> Saskia Sassen, (ed) Global Networks, Linked Cities, (New York: Routledge, 2002) and S.Graham and S. Marvin, Splintering Urbanism: networked infrastructures, technological mobilities, and the urban condition, (New York: Routledge, 2001)

<sup>11</sup> Edward W. Soja, Postmetropolis: Critical Studies of Cities and Regions, (Oxford: Blackwell, 2000)

<sup>12</sup> Hernando de Soto, Mystery of Capital, (New York: Basic Books, 2000)

<sup>13</sup> See World Bank, Infrastructure at the Crossroads: Lessons from 20 years of World Bank experience, (Washington: 2006) which, in a chapter on Managing Expectations about Private Sector Participation, concludes as follows: The events of the past decade have demonstrated that involving the private sector in

Britain suggests that efficiency runs to the privatized companies and not from them towards service delivery.<sup>14</sup>

Another urban magic bullet which circulated within the international community after the Rio Environmental Summit of 1992 was that community participation would be effective in addressing high priority urban environmental problems, yet this approach ignored the need for science to prioritize health threats and economics to determine the relative costs of alternative solutions. Similarly, experiences from UN-Habitat, the World Bank and the ILO on community-driven development, or on community contracting of infrastructure works has shown that community involvement is essential, but not sufficient to ensure proper engineering and design standards and good quality infrastructure improvements.<sup>15</sup>

The making of conventional wisdom does not come from any one source; necessarily it involves many books, reports, and conferences built upon each other. In the urban field, following almost fifty years of professional work going back to the United Nations' Centre for Housing, Building, and Planning in the 1960s, through the World Bank's entry into the urban sector in 1972, bi-lateral growth from 1970 to 2000, through the Vancouver I and II meetings, the establishment of the United Nations' Centre for Human Settlements, Habitat II in Istanbul in 1996, the United Nations Commission for Human Settlements meetings in Nairobi, the Urban Management Program, as well as projects in 11,000 cities and towns by 2000<sup>16</sup>, and now the Cities Alliance, urban debates continue to be framed in a highly global formulation of urban phenomena.

This global formulation often fails to acknowledge and much less capture important regional, national, and local differences. Despite growing awareness of "the local"<sup>17</sup> – and the extensive lip-service that it receives in international meetings – the global formulation of "the urban" hinders and limits the ability to anticipate and respond to emerging local conditions.

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infrastructure provision is not a universal cure. The Bank learned that the role of government institutions has remained a central one, as no other actors can compensate for government weaknesses in sector strategy, investment and expenditure prioritization, regulation, and risk management. The Bank also learned the importance of understanding the political economy of private participation, adapting regulatory approaches to country circumstances, and properly allocating risks between the public and private sectors. The public sector will remain a key source of infrastructure investments in developing countries, and the Bank should be engaged along the entire spectrum of public-private solutions.

<sup>14</sup> John Kay ref, in Norman V. Loayza, "The Economics of the Informal Sector: A Simple Model and Some Empirical Evidence from Latin America", World Bank Policy Research Working Paper Series 1727, February 1997.

<sup>15</sup> See for example, Jane Tournée and Wilma van Esch, Community Contracting (Geneva: ILO).

<sup>16</sup> Michael A. Cohen, "Urban Assistance and the Material World: Learning by Doing in the World Bank"; Environment and Urbanization, Volume 13, No.1, April 2001; pp.37-60

<sup>17</sup> Lucy Lippard, The Lure of the Local, or Edward Goetz and Susan E. Clarke, eds., The New Localism: Comparative Politics in a Global Era, (Newbury Park: Sage Publications, 1993)

## II. The Global Formulation of the Urban

This global formulation of the urban currently includes the following propositions:

- Urban demographic growth will continue, regardless of urban economic conditions.<sup>18</sup>
- Urban demographic growth has spread beyond primate cities to secondary urban centers.
- Cities and towns remain the destination of both national and international migrants.
- Urban slum conditions, meaning housing, land, and infrastructure deserve priority attention on the grounds that poor living conditions are a key determinant of urban poverty and also undermine labour productivity.<sup>19</sup>
- Urban water supply is a major concern, both in terms of aggregate supply with the marginal cost of water increasing in most cities in developing countries and in terms of its distribution, particularly to poor communities.
- Urban sanitation is recognized as playing a key role in controlling water-borne diseases and being a major determinant of urban health status of individuals, households, and communities.
- Insecure land tenure is a dominant feature of slum growth.<sup>20</sup>
- Urban land use patterns usually include central business districts and surrounding slum areas expanding out into the metropolitan periphery.
- Urban density of central areas is declining.<sup>21</sup>
- Most national and local governments do not manage urban land resources efficiently nor do they sufficiently capture increasing land values at a commensurate rate.
- Land markets are highly imperfect and frequently significantly affected by specific local regulations affecting both supply and demand.
- Extension of urban infrastructure has been guided less by public policy than by private investment.
- Urban cultural and physical heritage deserve protection in the face of unmanaged growth.
- Urban governance is weak due to scarce financial and technical capacity of urban governments and a lack of national government attention to urban problems.
- Civil society and community-based organizations may fill part of the gap of poor public sector performance and can provide many needed services.
- The importance of gender is recognized as significant in urban policies and management, but few operational policies and programs actually improve gender equity in cities.
- The management of urban externalities in most cities in poor countries is very weak, specifically reflected in deteriorating urban environmental conditions,

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<sup>18</sup> UNFPA report, op.cit., National Academy of Sciences, Cities Transformed, op.cit.

<sup>19</sup> UN Habitat, Global Report on Human Settlements 2003, The Challenge of Slums, op.cit.

<sup>20</sup> UN Habitat, Global Campaign on Land Tenure

<sup>21</sup> Angel, op.cit.

- particularly in relation to solid waste management and air pollution, and decaying physical infrastructure.<sup>22</sup>
- Despite several generations of analytic and policy work on urban public finance, most cities lack a credible sufficient financial base to finance long-term assets, whether public or private.
  - Urban safety and security is an increasing problem, reflected in growing crime rates, evictions, and so-called urban natural disasters.<sup>23</sup>
  - A growing share of urban employment and income is provided by the informal sector.<sup>24</sup>
  - The efficacy of urban planning as a discipline and tool is thus regarded with increasing skepticism.
  - Many of these problems are reflected in the process of growing urban differences and intra-urban inequality affecting most cities.

This list is not intended to be comprehensive, nor is it ordered in terms of priorities for policy or research. However, this conventional wisdom does suggest a view of the city which is independent of time and space and, despite the emphasis on demographic and spatial growth, is relatively static. It ignores other changes at different scales, whether at the global, regional, national, or local levels, and fails to acknowledge their impacts on cities through changes in prices, value, and costs. This view of cities is perceived and articulated as relatively independent and insensitive to major phenomena such as global financial crises, national political change, or local disasters.

What is also quite striking in the absence of linkages, however, is the continuing independence of this model of cities from economics, whether in the form of global economic forces or the characteristics of local economies such as their sources of capital formation, productivity, employment, and incomes. At some intuitive level, most urban analysts are still entering the city through the house and the bathroom, focusing largely on the built environment and on demographics, rather than through the workplace, the market, or as a site of creating long-term assets.

This does not mean that urban employment focused research and policy development has not taken place. However, either this work has been so limited and dispersed, as not to penetrate into the mainstream thinking, or it has been largely limited to technical cooperation activities of international development agencies, without the lessons and policy conclusions of this work being drawn.

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<sup>22</sup> Rémy Prud'homme, Hervé Huntzinger, Pierre Kopp; "Buenos Aires: Stronger Municipalities for Stronger Cities in Argentina", Report to the Inter-American Bank, 2004

<sup>23</sup> UN Habitat, Global Report on Human Settlements 2007, The Challenge of Urban Safety and Security, (London and Sterling, Virginia: Earthscan, 2007)

<sup>24</sup>See ILO estimates at:

[http://www.ilo.org/global/About\\_the\\_ILO/Media\\_and\\_public\\_information/Press\\_releases/lang--en/WCMS\\_085110/index.htm](http://www.ilo.org/global/About_the_ILO/Media_and_public_information/Press_releases/lang--en/WCMS_085110/index.htm).

The ILO began working on urban focused technical cooperation activities in the 1990s as its former Infrastructure and Rural Works branch began expanding participatory, labour-based approaches to urban areas, with a focus on slum upgrading schemes. This work was complemented by its policy development and technical cooperation work on the urban informal economy. The ILO also carried out research on urban demographic and migratory changes from the perspective of urban and rural labour markets. Much of this experience led to a major ILO report for the Second United Nations Conference on Human Settlements, held in Istanbul in 1996. This report, on the Future of Urban Employment,<sup>25</sup> focused on the paradox between cities as engines of economic growth and cities as centres of urban unemployment, poverty and other deprivations. It examined the relationship between long-term economic growth and structural change, as well as urban labour force growth and the operation of urban labour markets.

The report raised questions relevant to policies towards urban development that provide a useful entry point for addressing the urban development biases mentioned above and that focus on the fact that municipal governments are the first to feel the impact of unemployment, while at the same time they are poorly equipped to address the problem. The report also argues that local authorities have a number of comparative advantages for job creation which are often not apprehended or exploited.

The report then recommends that local authorities support employment creation measures in the following areas:

- Take advantage of trends towards decentralization of finance and devolution of responsibilities by central governments to local governments;
- Make better use of regulatory frameworks, including labour standards and legislation, by-laws and regulations governing land and informal sector development, infrastructure investment policies, and contracting procedures to promote job creation;
- And develop new alliances for job creation through an enabling approach that includes working with employers' and workers' organizations.

Whereas it is important to acknowledge the fact that the ILO and other development cooperation agencies have periodically addressed urban employment in project activities and in policy fora such as the Habitat II Conference and its follow-up, this work has not had the hoped for impact on the mainstream conventional wisdom of urban development. In fact, even in the broader development and poverty reduction agenda put forward in the Millennium Development goals, the role of employment and decent work has only begun to gain full recognition.

### **III. The Place of Employment in Urban Development Strategy Frameworks**

This section provides a quick assessment of how issues of urban employment are laid out within two categories of development strategy documents, first those supported by

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<sup>25</sup>S. Miller and H. Lim, The Future of Urban Employment (Geneva: ILO, 1996).

the Cities Alliance, namely City Development Strategies and Slum Upgrading Strategies, and second, the Poverty Reduction Strategy Papers that largely guide and orient international development assistance.

***Poverty Reduction Strategy Papers:***

This section begins with an assessment of how, firstly, urban development, and secondly, employment and decent work, are reflected in the PRSPs. The purpose is to assess the degree to which the conventional wisdom outlined above applies. Urban development issues were reviewed based on a comparative analysis of nine PRSPs (Albania, Burkina Faso, Cambodia, Djibouti, Georgia, Honduras, Kenya, Pakistan, and Yemen) undertaken by the Urban Development Division in the World Bank in June 2007 to assess whether urban poverty was being adequately addressed in the PRSPs.<sup>26</sup> In the World Bank's PRSP Sourcebook, income/consumption is used as one of five dimension of urban poverty. Income as a characteristic of urban poverty received only moderate mentioning in six of the PRSPs reviewed, while two barely even mention income at all. Only one country, Kenya, provided more of a detailed description of the income/consumption dimension of urban poverty.

Amongst the findings, it is noted that more of an emphasis is placed on social sector over economic issues. While these PRSPs do not specifically deal with urban employment questions, they do tend to have a social sector bias. Urban poverty is usually addressed in terms of urban infrastructure such as housing, water supply and sanitation, while the specific employment dimensions of these infrastructure investments are largely ignored. In fact, within the macro-policy framework, issues of employment seem to drop out entirely.

However, recent ILO analysis of the role of employment and decent work in the PRS process concluded that the new generation of PRSPs are more sensitive to the Decent Work Agenda. The point of entry for the ILO's engagement with the process was the lack or limited participation of the ILO tripartite partners in the process and the invisibility of employment and other dimensions of decent work in the goals, strategies and budget allocations adopted through the PRS process. Since 2001–02, the ILO developed a systematic approach to influence the PRS process and to integrate a decent work perspective. This approach, implemented first through a pilot ILO/DFID project funded by the United Kingdom and covering five countries, is now being applied in some 35 countries, i.e. in over half the total number of countries engaged with the PRS process.

The ILO strategy consists of four interconnected elements:

- *Empowering the constituents* (ministries of labour, employers' and workers' organizations) by strengthening their capacity to influence the drafting, implementation and monitoring of national PRSPs.

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<sup>26</sup> Judy Baker and Iwona Rechart, "A Review of Urban Development Issues in Poverty Reduction Strategies", Urban Sector Board, World Bank, UP-3; (Washington: World Bank, June 2007)

– *Incorporating employment and other relevant dimensions of the Decent Work Agenda into PRSPs* by identifying appropriate entry points and country-specific priorities and by articulating a visible and marketable platform for action.

– *Influencing and developing partnerships through strategic communication at the country level*: seeking to influence, other government ministries and departments (especially ministries of finance/planning) driving the design and implementation of PRSPs, and development organizations (including multilaterals, bilaterals and civil society organizations) to embrace the decent work route out of poverty.

– *Maintaining critical dialogue at the global and regional levels with the IFIs, regional commissions, regional development banks and the United Nations Development Programme (UNDP)* on the overall assessment of the content and process of PRSP strategies.<sup>27</sup>

In addition to the review of PRSPs conducted by the World Bank, discussed above, six PRSPs have been selected and reviewed by the authors for the purpose of this discussion note, to determine how employment has been incorporated into the poverty reduction strategies adopted by various countries.

Of the PRSPs reviewed, three of these were included in the five special focus countries selected in collaboration with the World Bank and the ILO for special focus in demonstrating the role of decent work in poverty reduction strategies. They are Honduras, Mali and Nepal.

Each of the six PRSPs reviewed (Burkina Faso, Djibouti, Honduras, Mali, Nepal, and Yemen<sup>28</sup>) takes poverty reduction as their guiding framework, and while they have each articulated their PRSPs in various ways, it is evident that they share very similar structure based largely on three pillars. For the most part, discussion of macroeconomic goals in the long and medium-term is taken either as a cohesive prelude to the first “pillar,” or as the first pillar itself, along with budgetary and fiscal policy, management of external debt, and producing an environment conducive to private investment.

Almost invariably, the second “pillar” describes access to basic “social services.” Again, while the language is unique to each PRSP, the structure is shared. Education and health are always found within this pillar, as is the potential role of women in development and/or poverty reduction, and these are then followed by employment and/or vocational training. Locating employment here, consistently near the bottom of the list of social services substantiates the claim that, first, employment is viewed as a social rather than economic issue, and, second, that it is usually subsumed by other social

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<sup>27</sup> See ILO, *The Decent Work Agenda in Poverty Reduction Strategy Papers (PRSPs): Recent Developments*, GB.300/ESP/3, November 2007.

<sup>28</sup> See Burkina Faso PRSP, July 2004, and Priority Action Program for PRSP Implementation, 2005 Implementation Report; Djibouti PRSP, March 2004, Honduras PRSP, August 2001 and First Progress Report, December 2003; Mali PRSP, 2002, and Progress Report, August 2005; Nepal PRSP, May 2003; and, Yemen PRSP, May 2002, and Joint Staff Assessment of the PRSP, July 15, 2002.

concerns. While the PRSPs reviewed clearly address employment in some regard, the degree with which they either explicitly or implicitly incorporate the strategies of Decent Work into their PRS is not consistent.

The third “pillar” often incorporates basic infrastructure and the development of the productive sector. Here there are additional opportunities for articulating explicit employment strategies, but again there is no consistency regarding these employment articulations.

Mali, in its 2002 PRSP has delineated policies and a macro-economic framework in addition to three pillars of strategies. The first pillar addresses institutional development, improved governance and participation. The second pillar addresses sustainable human development and strengthening access to basic social services. The third pillar discusses the development of basic infrastructure, productive sectors and revenue-generating activities.

Within the PRSPs reviewed the focus on macroeconomic issues, producing an environment attractive to private sector investment, and particularly in some cases, foreign direct investment, as well as attention to the commercial and financial sectors clearly outweighs any specific strategies for job creation. In the case of Burkina Faso, discussion of employment and increasing incomes is centered wholly in the rural areas and does not address employment issues in the urban setting.

To the extent that urban development is specifically articulated, in the case of Djibouti, for example, the issues addressed in the PRSP are urban housing and improvement of the urban environment. Again, in the case of Djibouti, employment is discussed in the section of the PRSP reserved for “human development” and encompassing first education, then health, promotion of the role of women in the development process, followed by “employment and revenue-generating activities.” While it is explicit in citing the linkages between access to employment, having an income, and thus, better living conditions, it is interesting to note the reasons given for high unemployment. They are: insufficient economic activity, high employment costs presenting an obstacle to small and medium sized enterprises, and weak human capital. Djibouti’s strategy for eliminating unemployment rests on a variety of programs, including, labour-intensive programs, vocational training development program, small and medium-size enterprises development program and the micro-finance development program. (pp. 73-75)

In conclusion of this review of PRSPs, it is clear that urban development and employment have on the whole been either absent, or at best latecomers, in the mainstream of development thinking. Let us now turn to the key development framework documents of the Cities Alliance.

### *A Review of Cities Alliance Strategy Documents*

Based on advice from the Cities Alliance Secretariat, a selection of City Development Strategy (CDS) and Slum Upgrading (SU) Strategy documents and proposals were reviewed for their descriptive, analytic, and normative attendance to employment/job creation. The documents, mainly those provided by the Cities Alliance, were analyzed for the following countries, cities and urban regions:

Brazil: CDS/SU in Salvador, Bahia<sup>29</sup>

Chile: CDS/SU countrywide<sup>30</sup>

China: CDS/SU in Yangzhou Province and Heilongjiang Province<sup>31</sup>

Egypt: CDS in Alexandria<sup>32</sup>

India: CDS/SU in Mumbai, and SU in Hyderabad<sup>33</sup>

Philippines: CDS in Iloilo City, Parañaque (Metro Manila) and Zamboanga City<sup>34</sup>

Nigeria: CDS in Karu<sup>35</sup>

South Africa: CDS/SU in Ekurhuleni,<sup>36</sup>

Analysis of the findings from sixteen Cities Alliance strategic undertakings in eight countries suggests that the work is intended to address the local economy and in some cases identifies the issue of employment and unemployment. However, on the whole, the work does not reflect upon, nor apply employment and job creation strategies, nor are

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<sup>29</sup> Review of project proposal to Cities Alliance: “Bahia Integrated Urban Development Program-Viver Melhor II: Technical and methodological assistance project (PAT)”. No date given.

<sup>30</sup> Review of project proposals to Cities Alliance: “Support the implementation of the programme to recover 200 Neighbourhoods through Capacity Building and Strengthening among Local Actors (Municipality and Community) and Public Services.” and “Local Development Strategies for Housing Solutions to Overcome Poverty.” No dates given.

<sup>31</sup> City Development and Slum Upgrading Strategies Yangzhou Province, China: Urban Upgrading, Yangzhou. 2005. And City Development and Slum Upgrading Strategy Heilongjiang Province, China: Economic Revitalization by Cities. 2005.

<sup>32</sup> City Development Strategy Alexandria, Egypt - Alexandria City Development Strategy for Sustainable Development. 2003-2004.

<sup>33</sup> City Development and Slum Upgrading Strategies Mumbai and Hyderabad, India: City-wide Slum Upgrading Action Plan, Hyderabad and Transformation of Mumbai into a World Class City

<sup>34</sup> City Development Strategies in the Philippines: Upscaling Poverty-Focused City Development Strategies in the Philippines and Creating an Enabling Platform for Good Governance and Improving Service Delivery. 1999.

<sup>35</sup> Karu, Nigeria: Upgrading (or Local Economic Development) through City Development Strategies. 2001 - 2004.

<sup>36</sup> City Development and Slum Upgrading Strategies in South Africa – Ekurhuleni: Upgrading for Growth Ekurhuleni's City Development Strategy. 2005.

such strategies cited as priorities for action. The documents do refer to institutions, policies, and regulations that have the potential for impacting on creating employment and reducing unemployment and underemployment. However, this potential for impact is rarely translated into analysis or concrete proposals. Rather, employment is assumed to be a residual, something that will automatically arise from strategies promoting good governance, a sound business environment and investment climate and measures to ensure productivity and competitiveness.

- **Investment:** Two thirds of the activities see public and private investment as a key element of city development and/or slum upgrading strategies. With the exception of the Philippines and South Africa, whose strategy documents include measures to attract foreign direct investment (FDI), most plans focus on public and domestic private investment. However, the employment implications of these investments are largely ignored, as are those of the funding mechanisms which can finance the required infrastructure.
- **Informal Economy:** Although most of the cities and urban regions analyzed have a majority of the economically active population working in the informal economy, the strategy documents provide little description, let alone analysis, of how the informal economy impacts on economic development, employment and underemployment. Also while a number of practical measures can be taken by local authorities with respect to the informal economy, best practices and policy recommendations are rarely mentioned. Strategy documents in only three cities refer to informal economic activities specifically, albeit superficially. In Karu and Ekurhuleni, the informal economy is approached as a positive contributor to job creation, whereas in Zamboanga it is viewed as an untapped source of potential revenue. The Ekerhuleni Slum Upgrading strategy attempts to study the link between the formal and informal economy. However, no policy or strategy is proposed, nor applied.
- **Local Economic Development:** All strategy documents, except those for Mumbai, India, included refer to local economic development strategies. However, these strategy documents do not specifically explore how local economic development can lead to increased and better quality employment opportunities.
- **Business Climate:** Most of the documents emphasize the importance of creating a sound business climate. In Parañaque, Philippines, for example, 100-hectare land reclamation is intended to create tourist spots and new locations for commercial establishments, resulting in improved economic growth, employment and business opportunities. Nevertheless, across the portfolio, there is little consistency in the separational definition of what constitutes a good business or investment climate as it has not been broken down for operational purposes particularly in terms of *how* a business climate will create new jobs and address un- and underemployment.
- **Regulatory Environment:** Across the activities reviewed, the regulatory environment's role in job creation or economic development is not a major focus for action. Five out of the eight countries mention regulations specific to zoning, four out

of eight mention business registrations, and only one mentions labour registration regulations. None of the activities mention procurement regulations. Zoning regulations feature most prominently in the Philippines where the creation of new business districts and industrial estates are outlined as important strategies for economic development in each of the cities reviewed. Business registration requirements are most noticeably mentioned in strategies of Alexandria, Egypt.

- **Actors:** The CDS and SU activities reviewed identify numerous institutional actors in most countries, and include multiple levels of stakeholders. However, there are some general biases in their relation to employment creation. In terms of actors in the private sector, domestic actors are relied on more heavily than foreign actors. There is no noticeable pattern in reliance on small- or large-scale private sector businesses for employment creation. In the public sector overall, the role of municipal government is emphasized to a lesser degree compared with national and regional/state governments. Some employment-related actors are conspicuously absent from the CDS and SU documents reviewed, such as Ministries of Labour.
- **Social Partners and Organizations:** Only one third of activities refer to social partners, and here the focus is largely on chambers of commerce, employers' organizations, and business associations. Associations of informal economy workers as actors are only seen in the case of Karu, Nigeria, and Ekerhuleni, South Africa. Trade unions are mentioned only in the '200 Neighbourhoods' program in Chile. Community and/or area-based organizations are mentioned in more than one third of the activities reviewed, with slightly less emphasis on local or domestic NGOs. International NGOs are mentioned in only one activity, in Brazil.

This rapid assessment suggests that employment creation is a concern for cities participating in CDS and SU processes as a whole, and there is a potential to improve employment creation initiatives. However, there is no serious focus on the areas discussed above, which are directly related to employment creation, nor effort to address them in a strategic, systematic way. This analysis also indicates that there may be critical limitations in policies, regulations, and processes regarding how CDS and SU activities are carried out that need to be addressed in order to have a significant impact on local situations of employment.

#### **IV. Looking Beyond Conventional Wisdom: Cities WITH Jobs**

On the basis of the above review of urban literature and urban assistance strategy documents, it appears that while there is recognition of the importance of employment within the framework of City Development and Slum Upgrading Strategies, there is a lack of appreciation of how the different policy levers which municipal governments and actors at the city-level control can be used to improve the situations of unemployment and underemployment. The above rapid assessment of City Development Strategies and of Slum Upgrading Strategies, as well as of PRSPs, therefore demonstrates that the lack of attention given to employment derives in large part from the lack of policy solutions

for local level actors to embrace. Therefore this review supports the need for developing a comprehensive policy advisory note on urban employment.

It becomes imperative, then, to look beyond the above mentioned conventional wisdom and try to create cities with jobs. Conceptual issues such as the informal economy, the regulatory environment, and municipal investment policies, particularly in the area of infrastructure development and operational policy questions, require further exploration and decisions regarding how they will be resolved by national and local governments and by institutions involved in multi-lateral or bi-lateral urban assistance. The following discussion then focuses on the economic and employment dimension of issues which have been seen to be part of the conventional wisdom on cities, but which are not exploited in terms of their employment linkages: the role of the informal economy; productivity in cities; and the links between employment and infrastructure.

## ***1. The Informal Economy***

### *Historical Perspectives*

In 1989 a meeting was held at the OECD in Paris to specifically discuss urban employment.<sup>37</sup> Its participants focused on two issues: the characteristics and causes of urban unemployment in developing countries and the efficacy and policy impact of research on this subject. It was noted by Frances Stewart, the British development economist, that a large quantity of research on urban employment had been undertaken in the 1960s and 1970s. Much of the work in the 1960s-1970s reflected dissatisfaction with the focus on GNP as the unique measure of welfare.<sup>38</sup> It coincided with the “discovery” of the informal sector by Keith Hart in Accra in 1970 and the high-profile adoption of this concept by the ILO, with its missions to Kenya,<sup>39</sup> Colombia, Philippines, and Cote d’Ivoire, followed by well-publicized reports which heralded the great significance of the informal economy as the focus of future employment growth.

What is interesting about this momentary spurt of global development policy attention to urban employment and the informal economy is that neither did it last very long, nor did it have significant impact on government policies in developing countries. The Colombia mission led by Dudley Seers raised the employment issue as high priority for Colombia, but the national government has never taken up employment as a key priority issue.<sup>40</sup> The same response came to the ILO mission to the Philippines which strongly recommended land reform as a way to stem rural-urban migration, but this was also never adopted by the government. These well-known cases stand in contrast to the fact that unemployment was increasing rapidly in Asia, Latin America, and Africa in the 1970s.

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<sup>37</sup> Bernard Salome, ed. Fighting Urban Unemployment in Developing Countries, (Paris: OECD, 1989)

<sup>38</sup> Frances Stewart in Salome, op.cit., p.11

<sup>39</sup> "Employment, incomes and equity: a strategy for increasing productive employment in Kenya" (ILO, Geneva, 1972).

<sup>40</sup> Ibid., pp.12-13

The participants in the OECD meeting asked themselves why the conclusions of this policy research had not been adopted. Looking back to the 1970s, they noted that the world had changed: the world economy slowed down in the 1970s-1980s and the developing countries were badly hit by rising energy prices and later a debt crisis linked to higher interest rates. Not surprisingly, unemployment was growing but national governments were preoccupied by other issues. With the advantage of hindsight, the experts arrived at the following conclusions which later became the conventional wisdom on this subject:

- Macro-economic growth was a necessary but not sufficient condition to reduce urban unemployment.
- The informal sector had a large potential role in employment creation, but there were many methodological and operational problems of definition, heterogeneity, and measurement across the boundaries between the formal and informal which stymied efforts to target assistance to the informal sector. For example, in some cases there were only small differences in incomes across two sectors.
- The world of employment and labour conditions was being considered in dualistic and dichotomous frameworks, an unfortunate perspective which clearly inhibited assessment of conditions within individual urban areas. This dual model had been developed by anthropologists in their assessment of the modern versus the traditional<sup>41</sup> and was later used, for example, by urbanists McGee and Yeung in their study of the informal economy in Asia.<sup>42</sup>
- While the experts had accepted the Harris-Todaro model of rural-urban migration which emphasized the important pull factor of relatively higher urban wages to potential migrants, they now realized that this model had ignored the reality of a growing low-wage urban economy and increasing numbers of urban poor. The model had also not recognized the impact of dynamic factors such as the macro-economic crisis of the 1980s in Latin America which had reduced the wage gap between rural and urban areas.
- They recognized, belatedly, that analysis of urban employment issues had ignored the growing presence and importance of women in urban labour markets.
- Much of the earlier policy recommendations had assumed homogeneity of labour and economic conditions across countries, but there was an urgent need to differentiate countries and cities by income levels, resource endowments, country size, and labour market parameters.
- Earlier work had assumed the active role of the state in generating employment, but many observers noted that the state had not worked well on this problem.

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<sup>41</sup> Clifford Geertz, Peddlers and Princes: Social Change and Modernization in Two Indonesian Towns, (Chicago: University of Chicago Press, 1963)

<sup>42</sup> Terry McGee and Yeuman Yeung, Hawkers in Southeast Asian Cities: Planning for the Bazaar Economy, (Ottawa: IDRC, 1977)

- Finally, they concluded there was a need for macro-models to take into account employment growth – rather than have “jobless growth”.<sup>43</sup>

Following the OECD meeting, the International Labour Conference of 1991 discussed a major report on *The dilemma of the informal sector*.<sup>44</sup> This report took a number of innovative positions, amongst them:

- "Contrary to earlier beliefs, the informal sector is not going to disappear spontaneously with economic growth. It is, on the contrary, likely to grow in the years to come, and with it the problems of urban poverty and congestion will also grow." This was an important conclusion, with fundamental implications for the conventional development paradigm.
- A second point is the focus on the *urban* informal sector. Whether the concept of the informal sector applies to rural environments as well as urban has been an issue since the phrase was first coined. In the Kenya report, the context was clearly and explicitly urban.<sup>45</sup>

Much of the 1990s and up to the present is dominated by policy and strategic focus on macro-economic management, heavily influenced by the arguments of liberalization of the “Washington Consensus” and the unproven belief that growth over time will reduce unemployment. This perspective further supported the view that state intervention in employment issues was inefficient and harked back to the New Deal or state-backed programs in the former Soviet Union or in China. Such beliefs have had a lasting and negative impact on efforts to strengthen municipalities abilities to face up to the challenges of urban employment and underemployment, by developing unrealistic expectations from the private sector, and by side-stepping the public sector, i.e. city government, rather than working to strengthen its areas of comparative advantage for job creation.

This view completely ignored the urban locus of productivity within the macro-economy and the fact that more than 50% of GDP was generated in urban-based economic activities. Moreover, macro-economists convinced themselves that human capital formation through education and health would provide ready entrants into an ever-widening labour market as macro-economic growth continued. These same macro-economists were also not particularly concerned about growing inequality, whether between the rural and urban sectors and within cities and towns. Urban poverty was a legitimate concern but it would be alleviated by economic growth. The problem of low labour productivity was noted, but remedies were not identified. They clearly had not heeded the suggestion of Amartya Sen in 1975 that employment was a three-headed problem: one of income, production, and recognition.<sup>46</sup>

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<sup>43</sup> *Ibid.*, p.16

<sup>44</sup> *The dilemma of the informal sector*, Report of the Director General, International Labour Conference, 78<sup>th</sup> Session (1991).

<sup>45</sup> See Paul E. Bangasser, *The ILO and the Informal Sector: An Institutional History*, ILO, Geneva, 2000.

<sup>46</sup> Amartya Sen, *Employment Policy and Technological Choice*, (Oxford: Oxford University Press, 1975)

*The importance of the informal economy:*

The share of the informal sector in total employment varies by region and by countries.<sup>47</sup> According to the latest ILO estimates, informal employment comprises about 65 per cent of non-agricultural employment in developing Asia, 51 per cent in Latin America, 48 per cent in North Africa, and 72 per cent in sub-Saharan Africa. It is also recognized that this labour force produces in the range of 20 to 40 percent of GDP.<sup>48</sup> How the informal sector fits within individual regions and countries varies considerably, as demonstrated by differences between East Asia and Latin America. In East Asia, studies in Indonesia have confirmed the transformation of employment patterns over time, with strong local cultural influences.<sup>49</sup> The region has seen many theories of the informal sector, industrial production, and strategies for the development of small enterprises. The issue of indigenous entrepreneurship has also been recognized. The region has also felt the impact of globalization with its effects on capital and labour flows, movement of technology, and wage rates. The East Asian financial crisis of 1997-98 definitely affected the small scale sector, weakening the demand for locally produced products, while increasing interest rates and reducing purchasing power. Bank credit became scarce at a time when input prices for energy and other raw materials increased. At the macro-level, economists nonetheless assumed that local economies were relatively sheltered from this regional crisis.<sup>50</sup> Some observers with their feet on the ground wrote about “the geography of change” in this period.<sup>51</sup> This raises the question of the resilience or vulnerability of the urban and local economies in the face of external shocks.

Let us turn now to Latin America which in the last few years has experienced its highest economic growth rates in a generation, averaging 5 percent in 2005 and 2006. Despite this strong growth across most of the region, there are still some 350 million people living below \$3,000 a year, and 120 million living below \$2 a day. Brazil, Mexico, and Colombia account for more than 50 percent of the poor people in the region.<sup>52</sup>

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<sup>47</sup> Christine Kessides, The Urban Transition in Sub-Saharan Africa: Implications for Economic Growth and Poverty Reduction, (Washington: Cities Alliance, 2006), p.15

<sup>48</sup> See ILO estimates at:

[http://www.ilo.org/global/About\\_the\\_ILO/Media\\_and\\_public\\_information/Press\\_releases/lang--en/WCMS\\_085110/index.htm](http://www.ilo.org/global/About_the_ILO/Media_and_public_information/Press_releases/lang--en/WCMS_085110/index.htm). Also, Juan Braun and Norman V. Loayza, “Taxation, Public Services, and the Informal Sector in a Model of Endogenous Growth”, World Bank Policy Research Working Paper No.1334, 1994, p.2

<sup>49</sup> Sarah Turner, Indonesia’s Small Entrepreneurs: Trading on the Margins, (London: Routledge Curzon, 2003), p.2

<sup>50</sup> Ibid., p.193

<sup>51</sup> A. Amin and K. Robins, “The Re-emergence of Regional Economies: The Mythical Geography of Flexible Accumulation”, Environment and Planning: Society and Space, Volume 8, pp.7-34

<sup>52</sup> Nancy Barry presentation., look at IDB, ECLA, and UNDP data

### *Costs and advantages of informality and formality?*

Within the region studies undertaken of the informal sector in Latin America over the past few decades have demonstrated the high costs of informality.<sup>53</sup> Hernando de Soto's well-known work in Lima in the mid-1980s revealed the high costs to firms of remaining in the formal sector. De Soto surveyed 50 firms and found that firms paid 348 percent of after tax profits to stay "formal", of which 22 percent was due to taxes, 5 percent to higher public utility rates, and 73 percent to regulatory and bureaucratic requirements.<sup>54</sup> Yet at the same time he discovered that there were high costs to being informal as well, for example, the lack of proper contracts limited investment from capital markets, with the result that informal firms are forced to pay high interest rates for credit., De Soto found that the nominal borrowing rate in Lima in June 1985 was 22 percent monthly for informal firms, while only 4.9 percent for formal firms of comparable sizes.<sup>55</sup> One of the results of this situation is the low value of physical capital of informal firms as well as their difficulties in transferring property.

However, the vision of the informal sector as a pool of potential entrepreneurs whose wealth creation capacity is constrained by a regulatory burden sidesteps the fact that most workers in the informal economy are in fact engaged in disguised employment relationships.<sup>56</sup> This alternate vision views the informal economy as linked in a dynamic and often subservient relationship with the formal, and indicates that efforts to "formalize" the informal economy are doomed to failure without addressing the broader dynamics that stimulate job creation in the larger economy, formal and informal, and rural as well as urban.

James Heinz recognizes the growing importance of urban informal employment "as rapid urbanization continues and the growth of formal job opportunities lags behind the expansion of the urban labour force."<sup>57</sup> He argues that "municipal regulations frequently fail to recognize urban informal activities as legitimate." The way forward for addressing the employment challenge means changing the policies of municipal governments with regard to planning the use of urban spaces, providing appropriate infrastructure, and maintaining public safety." However, such measures must also be accompanied by complementary measures to stimulate markets and to create effective demand for informal services, thereby increasing the productivity and output of informal economy operators.

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<sup>53</sup> Victor Tokman, "The Informal Sector in Latin America: From Underground to Legal", in V. Tokman, ed., *Beyond Regulation: The Informal Economy in Latin America*, (Boulder, Colorado: Lynne Rienner, 1992)

<sup>54</sup> Hernando de Soto, quoted in Loayza, "Economics of the Informal Sector", *op.cit.*

<sup>55</sup> Hernando de Soto, *op.cit.*, p.

<sup>56</sup> See for example, Martha Alter Chen, *Rethinking the Informal Economy: Linkages with the Formal Economy and the Formal Economy Regulatory Environment*, 2006, <http://www.un.org/docs/ecosoc/meetings/2006/forum/Statements/Chen%27s%20Paper.pdf>

<sup>57</sup> See James Heintz, « Growth, Employment and Poverty Reduction, » March 2006.

### *Correlations between growth and informality*

Studies of the informal sector at the regional level have argued that there is a negative correlation between the size of informal sector and the growth rate of real per capita GDP, suggesting that informal firms are probably using public goods inefficiently.<sup>58</sup> This inefficiency of informal sector is reflected in low rates of return to all investment, stagnant growth, and suboptimal social welfare.<sup>59</sup> It has also been argued that the return to capital, and thus on economic growth, is negatively affected by relative size of the informal sector within the economy, because informal sector does not contribute to financing public services.<sup>60</sup> At the aggregate level, across the region, the informal sector is strongly negatively correlated with public infrastructure.<sup>61</sup> As a result, and not surprisingly, the largest informal sectors in Latin America are in Bolivia, Panama, and Peru; while the smallest in Chile, Argentina, and Costa Rica.

However, James Heintz points out that the correlation between informality and slow growth of GDP does not necessarily imply causality. In fact, slow growth could explain a certain degree of informality, rather than the other way around. Furthermore, rather than seeing the formal and informal sector being in conflict, others argue that the two economies work in symbiosis. In an area of globalization and of out-sourcing, many key components and services used by the formal sector are outsourced to the informal economy.

### *Informality and regulations*

Looking across regions, Braun and Loayza argue that “the rise of informal sectors is a natural consequence of the restrictions imposed by governments on optimizing agents”<sup>62</sup> This observation importantly places much of the responsibility for the high costs on formality back on the public sector, where, as de Soto notes, individuals face at least three major costs of formality: bribes, regulatory compliance, and legal registration, not to mention taxes.<sup>63</sup>

The International Labour Organisation in a recent report to its Governing Body on the Informal Economy<sup>64</sup> has analysed the relationship between law, regulations and their impact on informality into three broad relationships calling for different policy responses.

The first situation is when law is silent, i.e. with respect to activities or groups falling outside the national regulatory framework, such as the self-employed, domestic workers or new forms of employment like subcontracting. In recent years, several countries in different regions (such as Chile, Costa Rica, Ghana, Malawi, Morocco, Peru, South Africa, Thailand and the United Kingdom) have adopted new laws or modified

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<sup>58</sup> Loayza, *op.cit.*, p.28

<sup>59</sup> *Ibid.*, p.33

<sup>60</sup> Braun and Loayza, p.4

<sup>61</sup> Loayza, *op.cit.*, p.29

<sup>62</sup> Braun and Loayza, *op.cit.* p.33

<sup>63</sup> De Soto

<sup>64</sup> See ILO, *The Informal Economy*, GB.298/ESP/4, March 2007.

existing ones to extend outreach to specific groups of homeworkers, subcontractees, domestic workers and/or to address ambiguities in employment relationships.

The second situation occurs where laws exist, and the lack of compliance and enforcement in the informal economy is the problem. The weak capacity of labour administration and labour inspection compounded with governance issues are often at the root of this problem.

A third relationship between regulations and informality and one which has generated more controversy is where the regulatory framework is not seen as provider of basic protection and an instrument for creating a level playing field but as an impediment to employment creation and a factor contributing to the spread of informality. Concerns with methodological limitations of these surveys and opposing views as to their policy implications have been voiced in many forums. For the discussion on decent work in the informal economy, however, the adequacy, affordability and efficacy of the regulatory framework should be assessed from the integrated objective of the resolution, i.e. preserving and developing the job-creation potential and protecting workers and units. Moreover, regulatory frameworks include several different components that need to be assessed separately as to their impact on informality in specific country contexts.

However, the argument that labour market regulations drive enterprises into informality is not only too narrow, but furthermore leads to the wrong policy conclusions. Broad deregulation would in fact be tantamount to informalizing the formal economy. The real employment constraints lie outside of the labour market.

### *Informality and job creation*

The ILO<sup>65</sup> argues that at the root of the problem of the informal economy is the inability of economies to create sufficient numbers of quality jobs to absorb the labour force. In recent years, the pattern of development and growth in developing countries, but not only in those, has not met with the global demand for jobs. Research and analysis of data undertaken for the forthcoming *World Employment Report* show that employment growth in the formal segment of the economy in most countries has lagged behind the growth of the labour force and these trends are likely to continue in the future. Even in countries such as China, where the rates of economic growth and poverty reduction have been remarkable, there is an emerging problem of the informal economy. Retrenched workers from restructured industries and migrants from rural areas find themselves in situations of underemployment and casual labour. Widespread underemployment and informality have therefore become structural characteristics of the developing countries. economies and not a peripheral problem that can be addressed in isolation from the mainstream development strategies.

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<sup>65</sup> See ILO, *The Informal Economy*, GB.298/ESP/4, March 2007.

## ***2. Productivity in Cities***

In 1991 the World Bank tried to introduce the notion of productivity of urban-based economic activities into the World Bank's urban policy and into the broader urban debates in the international community.<sup>66</sup> This included emphasizing the large and growing share of GDP produced in cities and the reduced demand for labour in rural areas. The analytic foundation of this work included a focus on addressing the constraints to productivity in cities, i.e. asking why are cities not more productive? How could constraints to productivity be reduced and thereby contribute to the alleviation of urban poverty? These constraints included infrastructure deficiencies, ineffective and costly urban regulations, weak local government, and the absence of financing mechanisms for long-life urban assets such as infrastructure and housing. Empirical work by Kyu Sik Lee and his colleagues in Jakarta and Bangkok further demonstrated how specific infrastructure deficiencies affected small and medium-scale enterprises and thus the rate and nature of employment generation.<sup>67</sup>

While this focus on productivity of urban-based activities in the early 1990s was a contribution to an expanding urban debate, this concern was largely ignored in the formulation of the Millennium Development Goals and subsequently in many of the reports cited above. If we go back to these sets of documents, it is fair to say that most fail to provide any well-developed perspective on urban economies themselves: their sources of productivity, value-added, structure of employment, and ultimately, how they provide the employment and incomes for the 100 million new urban dwellers each year. At the global policy level, it took five years for the international community to correct the glaring omission of employment creation within the original formulation of the MDGs adopted in 2000. The 2005 UN World Summit finally recognized that the goals of full, productive and freely chosen employment and decent work for all were global goals that had not only social, but also economic resonance. With regards to urban employment and enhancing urban productivity of the poorest, therefore the stage was set for recognizing that the economic goal of productive cities, and the social goal of cities without slums could not be realized by cities without jobs.

## ***3. Links between Employment and Infrastructure***

The above discussion points towards a major policy failure in urban development, that of underestimating the role of employment creation for productive and sustainable cities. And part of this involves relegating employment either as a social issue, or as a labour market issue, rather than as an economic one. A further error has been to view job creation and strategies to reduce unemployment and underemployment as being disconnected from the day to day responsibilities of municipal governments, these being

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<sup>66</sup> Michael A. Cohen, *Urban Policy and Economic Development: An Agenda for the 1990s*, (Washington: The World Bank, 1991)

<sup>67</sup> Kyu Sik Lee, Alex Anas, and Michael Murray, *Infrastructure Bottlenecks, Private Provision, and Industrial Productivity: A Study of Indonesian and Thai Cities*, World Bank Policy Research Working paper No.1603, May 1996

focused on the delivery of basic services and welfare benefits, ensuring safety and security, infrastructure investment and maintenance and fiscal and financial management.

The report of the Commission for Africa has argued that “infrastructure investments represent an enormous untapped potential for the creation of productive employment.”<sup>68</sup> This potential was largely ignored in the World Bank’s 1984 World Development Report on Infrastructure for Development. The more recent report, Infrastructure at the Crossroads, the self-evaluation of the past twenty years of World Bank experience in infrastructure lending, referred to above, provides a much stronger assessment of the social impact and implications of infrastructure development, and a more cautious assessment of the private sectors role in financing and management of infrastructure. However, the specific linkages between infrastructure and employment are once again largely overlooked.

The ILO has explored these linkages for over three decades through its Employment-Intensive Investment Programme (EIIP) by supporting developing countries to deliver good quality and cost-effective infrastructure servicing poorer segments of society. This programme has evolved through the merger of two approaches, one focusing on construction technologies largely in the roads sector, and the other promoting “Special Public Works Programmes,” as an area-based, integrated and multi-sectoral response to both seasonal and structural unemployment. While the programme under one of its product streams attempts to provide a rapid response to emergency situations ranging from natural and human-disasters, it rather positions itself as a sustainable response to structural unemployment, by demonstrating how labour-based technologies can result in cost-effective infrastructure using sound quality and engineering standards and in local development approaches taking advantage of infrastructure as a means for job creation, skills and entrepreneurship development, and as an important contributor to domestic market expansion from local resource use and increased local demand. Also, importantly for the purposes of this discussion, the programme has evolved from an exclusively rural focus in the 1970s and 1980s, to addressing urban infrastructure development, primarily through slum upgrading, drainage and street paving, beginning in the 1990s. The programme provides a series of tools such as procurement and contracting tools, including community contracting, which can help local governments strengthen employment infrastructure linkages.

One question which Cities Alliance partners face is whether to prioritize infrastructure development or job creation, or both simultaneously. Arising out of this basic question, a number of issues arise which should inform policy makers about how to approach employment-intensive infrastructure development programmes:

- *Productivity and employment:* Labour-intensive programmes have been criticized and portrayed as taking the “low road” to development. There is a common view that although these programmes do optimize use of abundant local resources, namely, unskilled labour, they trap countries into a vicious circle of low productivity which requires and perpetuates the use of unskilled labour and

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<sup>68</sup> The Commission for Africa, Our Common Vision, London, 2005.

- eschews the use of productivity-enhancing technologies. However, evidence demonstrates that these programmes in fact can be used to actually increase worker productivity in a manner which at the same time is compatible relative factor costs of labour and capital.
- *Institutions matter:* Many employment generation programmes are seen as social programmes and are managed by government ministries or institutions (e.g. National Agencies for Youth Employment) operating under a social (such as labour and employment), as distinguished from a technical or economic mandate, and which have little experience and capacity in infrastructure development. This happens particularly when the top priority is given to employment creation rather than to infrastructure development. As a result, the quality of the infrastructure is often poor, with the corresponding effects that the primary objective of employment creation is also compromised. The jobs created therefore are at best temporary palliatives, as opposed to more permanent employment possibilities that would be created as a result of high-quality infrastructure programmes. Such past experiences therefore argue in favour of implementing such programmes through municipal or national technical departments, or specialized technical agencies which have the technical required know-how, and of supporting them to change their working methods in order to embrace labour-based approaches. Whereas choice of technology is one way of increasing the impact of infrastructure investments on employment, employment impact is also dependant on those institutional mechanisms chosen to deliver the infrastructure investments.
  - *Training:* Employment-intensive investment programmes approach employment from both the demand and supply sides. On the one hand, these programmes create new, additional demand for labour by creating new jobs. On the other hand, such programmes work on the supply side, to provide both on-the-job and ancillary training to workers, which is assumed to facilitate their subsequent integration into more sustainable employment in the job market. There it is useful to review how training programmes have been designed in different types of programmes, and their impact on sustainable job creation.
  - *Procurement:* Procurement is a major instrument influencing job creation in infrastructure investments and it is one of the policy levers which municipalities are able to influence. Procurement and contractual procedures can be designed to enhance job creation and decent work.

## V. **Conclusion: Operational Policy Questions**

Looking beyond the conceptual issues, it is apparent that the problem of urban employment cannot be reasonably addressed by itself. It is linked to the issues of the regulatory environment and to capital formation, both human and physical. Cities' productivity cannot be enhanced by a good business environment and a sound investment climate alone. Efforts also have to be made to enhance the productivity of the poorest, not only indirectly, but also directly, through appropriate infrastructure investments which facilitate their access to sustainable employment opportunities. In order to make up for

the short-sightedness of past urban development policies, three inter-related questions need to be answered:

- How will investment in housing and infrastructure for growing urban populations be financed in the future?
- How will jobs and incomes be generated for these populations?
- How can those areas where cities have a comparative advantage, namely in the areas of local regulations, infrastructure investments and service delivery, be better harnessed for job creation?

The reality in most developing countries is that it is difficult to imagine national governments have or will have the financial resources needed to finance urban housing and either residential or productive infrastructure. At present, they face serious budgetary constraints and are in most cases unable to finance the existing backlogs even for public infrastructure. Nor is it likely that local and/or municipal governments will have the needed resources for these purposes. Most municipalities devote a large share of their scarce revenues for the salaries of municipal employees. Further, it is also difficult to imagine either the international private sector or the domestic private financial sector providing finance at the present time for the needs of the urban poor. Clearly they believe that there are other more secure and higher return activities deserving private investment. If this general characterization is true, what can then be expected in terms of the housing and infrastructure conditions in the future? As suggested later, only by generating productivity and value in the economy will it be possible to generate and to tax surplus value which can be used for this purpose. Productivity and value implies employment. The operational policy questions are how much and of what kinds?

On the question of job creation and employment policy, many policy makers and government leaders have declared defeat. Not having identified effective policy and program solutions, many specialists on employment have been left to celebrate the positive features of the informal economy, without completely acknowledging the many disadvantages that the informal economy brings with it, whether in terms of security of employment, benefits, regulatory protections, or professional growth.

This discussion points to a number of areas of focus which municipal governments may wish to explore as the Cities Alliance and the ILO embark upon preparing a Policy Advisory Note on Urban Employment:

1. Comparing the benefits of job creation policies with respect to the financial and social costs of unemployment and underemployment which municipalities have to bear. Such comparisons might help inform the municipal investment financing and fiscal and budgetary policies with respect to job creation objectives.
2. Unpacking and revisiting the urban regulatory environment into its different elements (such as zoning and land use regulations, business regulations,

procurement and contractual regulations and labour regulations) in order to better appreciate their respective impacts on job creation and protecting the poor.

3. Looking at the different mechanisms for financing urban investments with a view to their implications for urban job creation.
4. Better appreciating the infrastructure-employment linkages by systematically undertaking employment impact assessments of urban infrastructure investment programmes and budgets.

Annex 1:

**Questions to aid in reviewing employment-related issues  
in City Development or Slum Upgrading Strategies**

**with a view to**

**Integrating Productive Employment and Decent Work  
Into City Development and Slum Upgrading Strategies**

- I. Overall guidance**
- A. *Political and policy processes at the international level and international levels***
- *Do the documents contain any references to policy documents, studies or statistics relating to employment creation, unemployment, informal economy, including documents of the International Labour Office? Do the documents refer to broader international goals and processes (such as the Millennium Development Goals - MDGS, or Poverty Reduction Strategies – PRSPS, or the ILO strategies, such as the Decent Work Agenda or ILO International Labour Standards?*
- B. *Ongoing work of Cities in the field of urban employment***
- *Do the documents contain references to ongoing activities or planned interventions in the fields of employment creation, including areas such as labour-based slum upgrading schemes, support to the informal economy, local economic development, small enterprise development and capacity building for urban authorities.*
  - *The role of actual and potential urban level actors (such as mayors, municipal technical officers and political authorities, private sector, informal economy operators, workers and employers representatives (such as trade unions, chambers of commerce, professional associations), etc.*
  - *The review team will assess the effective demand for support in the field of urban employment. Do the documents contain any indications on need for guidance on integrating employment and decent work into City Development and Slum Upgrading Strategies, or requests for specific technical assistance in policy development and programmatic implementation, should be specified..*
- II. How does employment fit into the current strategic priorities of City Development Strategies and Slum Upgrading Strategies**

One of the purposes of the policy advisory note is to study the complementarities and trade-offs of urban employment with the current priorities of City Development Strategies as set out in Cities Alliance Guidelines.

Therefore please look at the documents according to the following perspective:

- A. *Employment and productive cities***
  - B. *Employment and inclusive cities***
  - C. *Employment and environmentally sustainable cities***
  - D. *How employment and decent work impact on the five substantive themes of the City Development Strategy***
    - a. *Livelihood***
    - b. *Environment, Services and Energy***
    - c. *Infrastructure and Spatial Development***
    - d. *Financial Resources***
    - e. *Governance***
- III. Specific issues to look for within the framework of urban employment and decent work strategies**
- A. *Investment Strategies and Programmes***
    - a. Investment policy: Provide information on municipal investment programmes and strategies. Does this involve public or private investment? Are efforts being made to attract Foreign Direct Investment? Provide any specific figures on amounts of public investment by year and category. Indicate whether the documents provide any information on the expected or actual employment impact of investments.
    - b. Slum upgrading initiatives: Any information on labour-intensive approaches or employment impacts?
    - c. Area-based and local economic urban development
    - d. Procurement, contracting and community contracting
  - B. *The Informal Economy***
    - a. Supply side approaches

- i. Technical training
- ii. Business development services
- iii. Access to credit and to micro-credit
- b. Demand side approaches
  - i. Improving linkages with the formal economy
  - ii. Supply chains
  - iii. Procurement

***C. Improving quality of regulations***

- a. Procurement regulations
- b. Zoning regulations
- c. Business registration
- d. Labour regulation

***D. Implementing urban employment policies and programmes***

- a. Comparative advantages of municipalities in job creation
- b. The respective roles of the private and public sectors for employment creation
- c. Building Alliances
  - i. Community-based organisations
  - ii. Workers and employers in the informal economy
  - iii. Trade unions and employers associations: traditional social partners

**IV. Additional information:**

***1. Technical Cooperation Activities and Partnerships at the National Level***

Projects and programmes undertaken by Cities Alliance members and partners (including the World Bank, African and Asian Development Banks, UN-Habitat, ILO and others in the field of urban employment and local economic development).

## Annex 2

<b>Cities Alliance Proposals: Review of Program Activities</b>						
			<b>Brazil</b>	<b>China</b>		<b>Chile</b>
			<b>CDS/SU Bahia Viver Melhor/BIRD Program: TA Project</b>	<b>CDS/SU Yangzhou</b>	<b>CDS/SU Heilongjiang Province</b>	<b>CDS/SU Housing Solutions to Overcome Poverty</b>
						<b>CDS/SU 200 Neighborhoods</b>
<b>I. Strategies and Programmes for Employment Creation</b>						
<b>A</b>		<b>Do the documents address employment creation through Demand Side Strategies such as:</b>				
	<b>1</b>	<b>Investment policies:</b>				
		<b>i.</b> provide information on municipal investment programmes and/or strategies?*		X	X	X
		<b>ii.</b> involve public investment?	x			X
		<b>iii.</b> involve private investment?	x	X	X	X
		<b>iv.</b> mention slum grading initiatives	x	X	X	X
		If so, any mention of labour-intensive approaches or of employment impacts?	x			X
		<b>v.</b> attempt to attract Foreign Direct Investment?			X	
	*	<b>vi.</b> impact of these investments on job creation discussed?	x			X
		(if possible, provide info on a separate sheet on amounts of public investment, organized in some format to facilitate comparison across cities countries, ie, per year, amount, etc.				
	<b>2</b>	<b>Linkages between the formal and informal economies?</b>				
	<b>3</b>	<b>Address supply chains?</b>		X	X	
	<b>4</b>	<b>Address procurement?</b>				
	<b>5</b>	<b>Community contracting (one form of procurement)</b>	X			
<b>B</b>		<b>Do the documents address employment creation through Supply Side policies such as:</b>				

<b>Cities Alliance Proposals: Review of Program Activities</b>						
			<b>Brazil</b>	<b>China</b>		<b>Chile</b>
			<b>CDS/SU Bahia Viver Melhor/BIRD Program: TA Project</b>	<b>CDS/SU Yangzhou</b>	<b>CDS/SU Heilongjiang Province</b>	<b>CDS/SU Housing Solutions to Overcome Poverty</b>
						<b>CDS/SU 200 Neighborhoods</b>
		i. technical vocational or training?	X	X	X	
		ii. business development services?		X	X	X
		iii. help self employed and small businesses access credit and micro-credit?				X
<b>C</b>		<b>Is there provision for area-based and/or local (economic) urban development?</b>	X		X	X
<b>The Informal Economy</b>						
<b>A</b>		Do the documents refer to the informal economy?				
<b>B</b>		Is the IE seen to have a role in job creation?				
<b>C</b>		Is the IE seen to be a problem?				
<b>Regulations: Do the documents refer to links between regulations and employment creation – Here regulations may relate to the "cost of doing business or to the "investment climate"?</b>						
<b>A</b>		Procurement regulations?				
<b>B</b>		Zoning regulations?		X		
<b>C</b>		Business registration requirements?			X	
<b>D</b>		Labour regulation?				
<b>Actors: Are any of the following mentioned with respect to employment policies/issues?</b>						
<b>A</b>		<b>Private sector</b>				
		i. domestic	x	X	X	
		ii. foreign	x			
		iii. small-scale		X	X	
		iv. large-scale	x			
<b>B</b>		<b>Public sector</b>				
		i. municipal government			X	X
		ii. state or regional government	X		X	X

<b>Cities Alliance Proposals: Review of Program Activities</b>							
			<b>Brazil</b>	<b>China</b>		<b>Chile</b>	
			<b>CDS/SU Bahia Viver Melhor/BIRD Program: TA Project</b>	<b>CDS/SU Yangzhou</b>	<b>CDS/SU Heilongjiang Province</b>	<b>CDS/SU Housing Solutions to Overcome Poverty</b>	<b>CDS/SU 200 Neighborhoods</b>
		iii. national government	X			X	X
<b>C</b>		<b>Social partners</b>					
		i. trade unions					X
		ii. associations of informal economy workers					
		iii. chambers of commerce, employers organisations, business associations	X			X	X
<b>D</b>		<b>NGOs</b>					
		i. local, domestic	X		X	X	X
		ii. international (i.e., such as slum dwellers int'l)	X				
<b>E</b>		<b>Community or area-based organizations</b>	X	X	X	X	X

<b>Cities Alliance Proposals: Review of Program Activities</b>						
		<b>Egypt</b>		<b>India</b>		<b>Nigeria</b>
		<b>CDS Alexandria Phase I</b>	<b>CDS Alexandria Phase II</b>	<b>CDS &amp; SU Transformation of Mumbai Phase I and II</b>	<b>SU Hyderabad</b>	<b>CDS Karu</b>
<b>Strategies and Programmes for Employment Creation</b>						
<b>A</b>		<b>Do the documents address employment creation through Demand Side Strategies such as:</b>				
	<b>1</b>	<b>Investment policies:</b>				
		iv. provide information on municipal investment programmes and/or strategies?*			X	X
		v. involve public investment?			X	X
		vi. involve private investment?	X	X	X	X
		v. mention slum grading initiatives	X	X	X	X
		If so, any mention of labour-intensive approaches or of employment impacts?				
		vi. attempt to attract Foreign Direct Investment?				
	*	vi. impact of these investments on job creation discussed?				
		(if possible, provide info on a separate sheet on amounts of public investment, organized in some format to facilitate comparison across cities countries, ie, per year, amount, etc.				
	<b>2</b>	<b>Linkages between the formal and informal economies?</b>				X
	<b>3</b>	<b>Address supply chains?</b>	X			
	<b>4</b>	<b>Address procurement?</b>				
	<b>5</b>	<b>Community contracting (one form of procurement)</b>				
<b>B</b>		<b>Do the documents address employment creation through Supply Side policies such as:</b>				
		iv. technical vocational or training?				X

<b>Cities Alliance Proposals: Review of Program Activities</b>							
			<b>Egypt</b>		<b>India</b>		<b>Nigeria</b>
			<b>CDS Alexandria Phase I</b>	<b>CDS Alexandria Phase II</b>	<b>CDS &amp; SU Transformation of Mumbai Phase I and II</b>	<b>SU Hyderabad</b>	<b>CDS Karu</b>
		v. business development services?					X
		vi. help self employed and small businesses access credit and micro-credit?	X	X			X
<b>C</b>		<b>Is there provision for area-based and/or local (economic) urban development?</b>	X	X			X
<b>The Informal Economy</b>							
<b>A</b>		Do the documents refer to the informal economy?				X	X
<b>B</b>		Is the IE seen to have a role in job creation?					X
<b>C</b>		Is the IE seen to be a problem?					
<b>Regulations: Do the documents refer to links between regulations and employment creation – Here regulations may relate to the "cost of doing business or to the "investment climate"?</b>							
<b>A</b>		Procurement regulations?					
<b>B</b>		Zoning regulations?	X	X	X		X
<b>C</b>		Business registration requirements?	X	X	X		
<b>D</b>		Labour regulation?					
<b>Actors: Are any of the following mentioned with respect to employment policies/issues?</b>							
<b>A</b>		<b>Private sector</b>					
		v. domestic	X	X	X	X	X
		vi. foreign			X		
		vii. small-scale				X	X
		viii. large-scale	X	X	X	X	X
<b>B</b>		<b>Public sector</b>					
		iv. municipal government		X	X	X	
		v. state or regional government	X	X	X	X	
		vi. national government	X				
<b>C</b>		<b>Social partners</b>					
		iv. trade unions					

<b>Cities Alliance Proposals: Review of Program Activities</b>							
			<b>Egypt</b>		<b>India</b>		<b>Nigeria</b>
			<b>CDS Alexandria Phase I</b>	<b>CDS Alexandria Phase II</b>	<b>CDS &amp; SU Transformation of Mumbai Phase I and II</b>	<b>SU Hyderabad</b>	<b>CDS Karu</b>
		v. associations of informal economy workers			X		X
		vi. chambers of commerce, employers organisations, business associations	X	X	X	X	X
<b>D</b>		<b>NGOs</b>					
		iii. local, domestic			X	X	
		iv. international (i.e., such as slum dwellers int'l)			X		
<b>E</b>		<b>Community or area-based organizations</b>			X		

<b>Cities Alliance Proposals: Review of Program Activities</b>						
		<b>Philippines</b>			<b>South Africa</b>	
		<b>CDS Paranaque</b>	<b>CDS Iloilo</b>	<b>CDS Zamboanga</b>	<b>CDS Ekurhuleni</b>	
<b>II. Strategies and Programmes for Employment Creation</b>						
<b>A</b>		<b>Do the documents address employment creation through Demand Side Strategies such as:</b>				
	<b>1</b>	<b>Investment policies:</b>				
		vii. provide information on municipal investment programmes and/or strategies?*	X	X	X	X
		viii. involve public investment?	X	X	X	X
		ix. involve private investment?			X	
		vi. mention slum grading initiatives			X	
		If so, any mention of labour-intensive approaches or of employment impacts?				
		vii. attempt to attract Foreign Direct Investment?	X	X	X	X
	*	vi. impact of these investments on job creation discussed?			X	
		(if possible, provide info on a separate sheet on amounts of public investment, organized in some format to facilitate comparison across cities countries, ie, per year, amount, etc.				
	<b>2</b>	<b>Linkages between the formal and informal economies?</b>			X	
	<b>3</b>	<b>Address supply chains?</b>			X	
	<b>4</b>	<b>Address procurement?</b>				
	<b>5</b>	<b>Community contracting (one form of procurement)</b>			X	
<b>B</b>		<b>Do the documents address employment creation through Supply Side policies such as:</b>				
		vii. technical vocational or training?		X		

<b>Cities Alliance Proposals: Review of Program Activities</b>						
			<b>Philippines</b>			<b>South Africa</b>
			<b>CDS Paranaque</b>	<b>CDS Iloilo</b>	<b>CDS Zamboanga</b>	<b>CDS Ekurhuleni</b>
		viii. business development services?				X
		ix. help self employed and small businesses access credit and micro-credit?				X
<b>C</b>		<b>Is there provision for area-based and/or local (economic) urban development?</b>	X	X	X	X
<b>The Informal Economy</b>						
<b>A</b>		Do the documents refer to the informal economy?			X	X
<b>B</b>		Is the IE seen to have a role in job creation?				X
<b>C</b>		Is the IE seen to be a problem?			X	
<b>Regulations: Do the documents refer to links between regulations and employment creation – Here regulations may relate to the "cost of doing business or to the "investment climate"?</b>						
<b>A</b>		Procurement regulations?				
<b>B</b>		Zoning regulations?	X	X	X	
<b>C</b>		Business registration requirements?				X
<b>D</b>		Labour regulation?				X
<b>Actors: Are any of the following mentioned with respect to employment policies/issues?</b>						
<b>A</b>		<b>Private sector</b>				
		ix. domestic				X
		x. foreign				
		xi. small-scale				X
		xii. large-scale				
<b>B</b>		<b>Public sector</b>				
		vii. municipal government				X
		viii. state or regional government				X
		ix. national government				
<b>C</b>		<b>Social partners</b>				

<b>Cities Alliance Proposals: Review of Program Activities</b>						
			<b>Philippines</b>			<b>South Africa</b>
			<b>CDS Paranaque</b>	<b>CDS Iloilo</b>	<b>CDS Zamboanga</b>	<b>CDS Ekurhuleni</b>
		vii. trade unions				
		viii. associations of informal economy workers				
		ix. chambers of commerce, employers organisations, business associations				
<b>D</b>		<b>NGOs</b>				
		v. local, domestic				
		vi. international (i.e., such as slum dwellers int'l)				
<b>E</b>		<b>Community or area-based organizations</b>				X

## Annex 3

### Review of City Development Strategies and Slum Upgrading Strategies for eight countries

#### Brazil

#### **I. City Development and Slum Upgrading Strategies in Salvador, Bahia, Brazil: the Bahia Integrated Urban Development Program- Viver Melhor/BIRD: Technical and Methodological Assistance Project**

In Salvador, there is currently one ongoing CDS/SU, the Bahia Integrated Urban Development Program- Viver Melhor/BIRD: Technical and Methodological Assistance Project, which is part of a wider state program, Viver Melhor II. The program seeks to employ lessons learned from the previous Viver Melhor Program, scaling up to in order to “reduce poverty in a sustainable manner and ensure the replication of area-based, integrated and participatory methodology”<sup>69</sup>.

Cities Alliance and related documents were reviewed in order to see how employment is treated in the Viver Melhor/BIRD project. Employment is addressed strategically under the social component, of which 25 % of the project is dedicated. Descriptively and analytically, the importance of improved access to economic opportunity is explicit in the integrated urban development approach, with a focus on micro-level development as a key project component. Job creation is addressed normatively through greater access to labour markets for work cooperatives, and training programs that will increase worker capacity.

The state development agency, CONDER has awarded contractual agreements to work cooperatives for public works projects. Access to the labour market has increased for other cooperatives as well (sewing, fishing, etc.). Less direct estimated impacts include employment for women in day care centers, increased training and funding for local schools, and investment in early childhood education that will minimize future economic costs.

The supply of subsidies exists in areas of housing and certain privately owned services (such as electricity). It is unclear what access residents have to micro-credit for business development opportunities (as the focus has been on provision of new housing). Access to micro-credit is not normatively mentioned but has been suggested as a strategy to decrease defaults in cost recovery from housing programs. Further, micro-credit programs would allow for reinvestments in housing units and the surrounding community areas.

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<sup>69</sup> See project proposal: *Bahia Integrated Urban Development Program-Viver Melhor II: Technical and methodological assistance project (PAT)*

There are no specific indicators that prove a decrease in unemployment, which is at a reported 20% in Salvador (and higher in informal settlements), nor is there evidence of sustainability of work. However, community response from the Viver Melhor Program has been relatively positive, with reports of an increased number of skilled workers, infrastructure improvements, and greater market access. There is currently no data available on the employment impact of scaling up in Viver Melhor/BIRD.

The focus of the project places more weight on physical interventions (security of tenure, land regularization, roads, water and sanitation) over improving access to economic opportunity. Anticipated impacts of social interventions include improved access to employment and income generation opportunities, which will be measured by “the number of beneficiaries reached by job training programs”<sup>1</sup>. Although it is implied that the reach of training programs has been expanded in current activities, the number of beneficiaries remains unclear, and appears to be limited. Expansion of contractual relationships with specially trained cooperatives will increase economic opportunities, and may also improve operations and maintenance of local infrastructure. Of equal importance is “linking the training and cooperatives to the demands in the labour market”<sup>70</sup>, in order to ensure job creation in the future.

Chile

## **II. City Development and Slum Upgrading Strategies in Chile: Local Development Strategies for Housing Solutions to Overcome Poverty and the Support for the Implementation of the Program to Recover 200 Neighborhoods through Capacity Building and Strengthening Among Local Actors and Public Services**

The Cities Alliance has one completed CDS/SU project in Chile, known as the Local Development Strategies for Housing Solutions to Overcome Poverty. The project is currently being scaled up, and is in the second phase, known as the Support for the Implementation of the Program to Recover 200 Neighborhoods through Capacity Building and Strengthening Among Local Actors and Public Services. From 2006 to 2010, the program will target 450,000 beneficiaries in 200 neighborhoods nationwide, spanning over 70 communes.

Cities Alliance and related documents were reviewed in order to see how employment is treated in completed activities and scaling up within Chile. CDS and SU strategies employed mainly focus on the provision of housing, a greater access to subsidies and credit at market rates to beneficiaries, improving economic conditions through training programs, and targeting self-employed, micro and small entrepreneurs by improving work conditions at home.

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<sup>70</sup> See Baker, Judy *Integrated Urban Upgrading for the Poor: The Experience of Ribeira Azul*, Salvador, Brazil.

Through the Neighborhood Recovery Program, a reported 1500 families in five neighborhoods have experienced improvements in their homes. This has been linked to improvements in the quality of work, as over 35% of employment is comprised of micro and small entrepreneurs and self-employed workers, who often work at home. Activities will include organized work panels in selected areas that aim to aide beneficiaries in creating work plans. It is unclear what the nature of the work plans and/or panels will be. Women heads of household are the targeted beneficiaries; however, the reach appears to be very limited.

Policies aimed at improving working conditions at home are being explored by drawing from the positive experience of micro and small entrepreneurs and self-employed workers who have been impacted. This specific project goal is an attempt to find a normative approach to improving the quality of work, to implement policies framed by a systemized strategy that will improve conditions to beneficiaries. There has been a countrywide distribution of a pamphlet intended to share the success of targeted areas: “New conditions for decent/worthy work at home: testimonies and lessons learnt from an experience, emphasizing the work of women”.

Job creation and local economic development are mentioned analytically, but only secondary to physical interventions, such as housing. Employment is treated as more of a complementary activity, as suggested improvements in housing will create better working conditions for beneficiaries who work at home. Employment has been incorporated more in scaling up, with objectives aimed at training and improving working conditions at home, mainly focused on improving social and labour conditions for women. The reach to beneficiaries is limited, as these programs are only implemented in selected areas, and still seem to be in the initial phases. Job creation in slum upgrading and city development strategies will ensure long term success.

China

### **III. City Development and Slum Upgrading Strategies Yangzhou Province, China: Urban Upgrading, Yangzhou.**

In review of the ongoing urban upgrading and city development strategy for Yangzhou started in 2005, which is built on the Eco City Planning and Management strategy and other agency driven expertise programmes and projects, aims to identify means of upgrading and revitalizing the old stock of existing buildings in the overall city development framework including existing settlement structures in Yangzhou municipality, in line with the municipality’s cultural heritage and the needs of mostly low income residents. The activity is expected to lead to a process-oriented modernising infrastructure development within the wider city, especially traditional settlement structures, and to strengthen local residents’ abilities to improve their living and housing conditions with their own resources.<sup>4</sup>

The Yangzhou urban renewal process envisions to create a socially, economically, and environmentally inclusive urban center by enhancing the quality of life of low-income residents and providing new housing and self-reliance resources, attracting and

supporting more trade, consumers, micro businesses, and by generating job opportunities in construction with the ultimate aim to reduce urban poverty.<sup>5</sup>

The analytical approach based strategy aims to conduct a study of major socio-economic framework conditions and environmental situations but the main focus remains mainly on the broad environmental sustainability and public infrastructure. For example, it remains vague on possible recommendations on strategies for local economic development. It specifically refers to supporting micro-businesses in order to create secure and income generating opportunities for residents.

It draws a detailed outline for infrastructure building, however, does not refer to infrastructure building in relation to employment and local labour sources in construction and creation of new capital and jobs within this conceptual framework. For example, it mentions the major problems of slum dwellers such as water, sanitation, public space, and housing funds. It points to self-employed, shop and small business owners low-income groups who are unable to continue due to the deteriorating infrastructure and many members of the community are moving out, especially the youth.<sup>6</sup> In spite of mentioned this critical fact interdependent on urban upgrading and growth, the plan does not point out job creation mechanisms for the employment of young people and other vulnerable groups. New approaches to support low-incomes families to purchase housing in new buildings have been introduced by the city, nevertheless, the strategy does not specify what new opportunities have been introduced or are to be introduced that will generate income for such target groups and their relationship with the broader scope of urban capital and labour growth.

Private sector involvement is acknowledged in reference to funding opportunities for the upgrading and re-development of the city. It calls for creating feasible financial programs with private firms to support micro financing prospects to encourage economic self-reliance and employment strategies. It identifies a link between the formal and informal economy and its role in urban employment growth, however, does not expand on this topic.<sup>7</sup>

It noticeably highlights the reoccurring approach in development work of urban planners that enter planning through traditional housing and residential infrastructure, rather than through the place of work and the market. However, little attention is paid to explaining the overall patterns of productivity, capital formation and employment generation within the envisioned productive and inclusive city center that are aimed to enabling and strengthening local residents abilities to improve their living and housing conditions and building alliances with the greater city and the private sector.

#### **IV. City Development and Slum Upgrading Strategy Heilongjiang Province, China: Economic Revitalization by Cities**

In review of the documents for the ongoing Economic Revitalization by Cities in Heilongjiang Province, China, started in 2005, the key objectives focus on local economic development and industrial restructuring; unemployment and urban poverty alleviation, and urban environmental improvement. The project aims to assist public authorities to use the city development strategy process to formulate an industrial restructuring policy document; CDS action plans by the cities; the creation of a regional economic corridor of three cities namely Harbin, Daqing and Qiqihar; and to the development and implementation of investment programmes and financial instruments.<sup>8</sup>

Overall framework of the initiative clearly asserts urban unemployment reduction as its main activity, however, lacks to explicitly expand on how this activity will be carried out.

The core methodologies for conducting the process include institutionalization and building a broader network of stakeholders, performing a SWOT analysis, assessing effective economic revitalization and poverty reduction strategies, and enhancing the existing eco-system approaches to environmental sustainability. It also aims to make recommendations for policy changes at provincial and national government levels for greater mobility of capital and labour and integration of the domestic economy.<sup>9</sup>

The project acknowledges and describes the urban unemployment rate in the province, which is estimated to be the highest in the country, and depicts the critical situation of urban employment insecurity due to the current industrial restructuring and its consequences on the living situations of workers. It pays close attention to vulnerable groups such as the unemployed, women, and migrants and youth, which it predicts will be directly affected by future economic changes and calls for their equal participation in planning and implementation of strategies.

It aims to introduce strategic policy planning and local economic development processes and practices while strengthening of human resource skill upgrading and the safety nets, implement policies to facilitate out-migration/reallocation of labour and skills, and emphasize the role of the private sector in addressing market based issues. The plan includes a strategic vision for future employment with outcomes of restructuring of the economic system to generate new jobs through new enterprises, encourage new employment opportunities through Chinese firms deciding to locate in cities, enable an investment environment supporting business start-ups, and increase the level of foreign direct investment to create a local economy that is more income earning friendly to all workers, especially women.<sup>10</sup>

In spite of a long-term economic revitalization vision it remains unclear how the plan will be carried out to create new employment, what institutions will be involved, and whether or not there are implications for carrying such processes in the short-run. Relatively less attention is paid to the link between formal and informal economy and to building infrastructure and productivity in the city and its relation to capital, labour, land and regulatory policy reforms.

Egypt

## **V. City Development Strategy Alexandria, Egypt - Alexandria City Development Strategy for Sustainable Development**

The Alexandria City Development Strategy (CDS) for Sustainable Development (2003-2004) proposal identifies challenges facing the city in three categories: squatter settlements, the problem of Lake Mariout, and the lack of a long-term economic development strategy. Anticipated outputs include a Long-term Economic Development Strategy, Urban Upgrading Policy, and Development Plan of Lake Mariout. Within the framework of the proposal, references to the international arena are limited to the goal of

expanding the city's tourism potential, and subsequently the economic prospects for city residents.

The first of the three challenges, squatter settlements, lists the seven "most acute" problems which they face: high population density, lack of infrastructure and basic services, poor public health services, lack of educational facilities, high unemployment rate, high birth rates, and high illiteracy rate. Within number five, high unemployment rate, it is stated that city officials seek "to integrate the marginalized segments of the community into the workforce as a means of improving their lives and livelihoods." However, specific interventions in the field of employment creation, labour-based slum upgrading schemes, or support to the informal economy are not elaborated. Local economic development, however, is discussed at length, as is the development of a long-term economic development strategy.

The second of three challenges, the problem of Lake Mariout, is discussed mainly in the elaboration of the physical objective: "develop a participatory upgrading strategy for the squatter areas and Lake Mariout," the focus of which is to improve living conditions and prevent any further environmental degradation to the lake. While the proposal seeks to improve living conditions within squatter areas, there is no information on labour-intensive approaches or employment impacts.

Within the third challenge, the lack of a long-term economic development strategy, discussion rests primarily within the sector of investment strategies and programmes. Local economic urban development is discussed at length in the proposal within this last challenge. However, there is not specific information on municipal investment programmes. While increasing private investment is discussed, specific means of attracting Foreign Direct Investment are not elaborated. This proposal does not provide any information on the expected or actual employment impact of investments.

Objectives in the proposal "to develop a strategic framework for sustainable development," are twofold: economic and physical. (p. 5) The primary focus of the economic objective is to develop a long-term economic development strategy. This strategy would "diversify and specialize the economic base of the city," "support productivity," and "establish an enabling business environment." They also seek to create "economic development opportunities in low-income areas, including squatter settlements." (p.5) However, this is not elaborated in a manner indicating guidance for integrating either employment or decent work into either the City Development or Slum Upgrading Strategies.

Discussion of past successes and concrete measures for the future all focus on investment strategies and programmes. The proposal recognizes previous successes in working toward achieving an "integrated development vision." These include: public private partnerships (PPP), improved business environment, and attracting new investments to the city. The proposal states that as part of a long term vision an increased understanding of the competitiveness of the city, an understanding of the potential for business sector

growth, and investment priorities are all necessary, thus stressing the need for a long-term economic development strategy. (p. 4)

Within the nine “most pressing challenges, which could also be development assets,” focus is, in part, on labour and investment. The focus of the labour force, however, is on stimulating demand for new private investment and developing partnerships with the business community, rather than on employment creation or the integration of employment and decent work into the development strategies. Supplying production inputs for new projects in manufacturing and infrastructure is the focus of the industrial base. Development of Planned Free Zones is discussed as a way to increase the city’s industrial base. Concern for improving the quality of regulations is also put forward in the proposal to reduce barriers to investment and focuses on facilitating the issuance of business licenses for small and medium enterprises. (p. 5)

The Alexandria City Development Strategy (CDS) for Sustainable Development, Phase II, 2007 and ongoing, builds upon the outputs designed in Phase I, described above. Within the framework of the Long-term Economic Development Strategy (LED), the Governor of Alexandria established a Board of Directors for Industrial Areas Development in Alexandria Governorate with a mandate to improve existing industrial areas, improving municipal services, facilitating access to industrial land, and to plan expansion of industrial land, among others. This BoD is expected to also play a role in the improvement of infrastructure and management of the two largest industrial areas where the majority of competitive manufacturing sectors are located. However, further LED activities in the proposal include further analysis (of manufacturing sectors); detailed studies and action plans of the local business environment, particularly concerning regulatory policies and procedures which businesses are subjected to, and; to hire a municipal finance specialist.

Building upon the preliminary surveys completed for the Urban Upgrading facet, three objectives were established. The first is to increase jobs, micro-finance and business support services, the main component of which is to support “local area initiatives to reduce poverty and improve quality of life.” (p. 4) Micro-finance programs are to be aimed at supporting income generation, employment generation, such as start-up micro-enterprises and home-based economic activities, and home improvement as a result of secure tenure and land ownership. Additional components falling under the Urban Upgrading program include increased access to infrastructure and services, and finally, to improve tenure security in squatter settlements. (p. 5) The Urban Upgrading component is reported to be underway in three pilot squatter settlements. The focus of activities in this component is on participatory planning, participatory rapid appraisals, replicability in other areas, and to complete a city-wide upgrading strategy.

The third, and final, component, the Lake Mariout Development, seeks to optimize “the utilization of resources without causing any ecological disequilibria in this vital zone.” (p. 6) Activity in this component focuses on establishing a Lake Management Authority.

While expected impact of the LED is to be measured in terms of “expansion of business; increase in employment; increase in productivity; increase in exports; and increase in related local revenues, neither of these two Alexandria proposals provides any information on the expected or actual employment impact of investments. Specific interventions in the field of employment creation, labour-based slum upgrading schemes, support to the informal economy, and development of a long-term economic development strategy are not elaborated.

## **India**

### **VI. City Development and Slum Upgrading Strategies Mumbai and Hyderabad, India: City-wide Slum Upgrading Action Plan, Hyderabad and Transformation of Mumbai into a World Class City**

An evaluation of completed Cites Alliance grants, published in December 2004, included an early City Development Strategy in Hyderabad, “Local Partnerships for poverty-focused CDS,” began in June 2001 and completed in December 2003. This evaluation reports that while the CDS seems to have “stimulated interest” in new approaches to urban management, it did not, however, impact on “urban investment and the livelihoods of the poor.” (p. 1) Discussion of investment rests on the Municipal Corporation of Hyderabad (MCH), and the Metropolitan Water Board, later concluding that “limited strategic investment outcomes will be achieved.” (p. 7) Overall contributions of the CDS, however, include the introduction of new participatory approaches, inter-agency dialogues, and a more inclusive urban citizenship. Main achievements include the development of a Comprehensive Development Framework (CDF) and the formulation of Strategic Action Plans (SAP) and City Assistance Programmes (CAP), among others.

The Hyderabad City-Wide Slum upgrading Action Plan, approved in 2004 and ongoing, has devised its objectives based somewhat on the findings and outcomes of the CDS, described above. Objectives include a city-wide survey of slums, classification of slum types, consultations with various agencies, preparation of a draft analytic report detailing options for slum upgrading, and the creation and use of a slum matrix. (p. 5) Outputs include a city-wide slum upgrading action plan with a city-wide map and database of settlements, a strategic analytic report including details of land tenure and slum denotifications, requests for relocation, partnerships, community mobilization, finance and capacity. (p. 7)

Additional outputs include a needs-based prioritized list of settlements. Initial monitoring indicators included in the proposal, include poverty reduction and improvements in living conditions as one activity/output and list commensurate indicators as “Enhanced income, livelihood opportunities, and access to civic amenities as measured by appropriate indicators.” (p. 8) Additionally, further poverty reduction strategies elaborated in the CDS outputs include a “Livelihood Strategies and Employment” action to study the local economy, examine linkages between the formal and informal sector, and skill building and livelihood strategies. Also included in outputs is “Setting up of Employment Resource Centres - males and females,” meant to work as a means of disseminating job

information, providing possible job placements, and job candidate registration. The main actors for both of these activities include municipal and state government, NGOs, and CBOs. (p. 14) However, specific interventions in the field of employment creation, labour-based slum upgrading schemes, support to the informal economy, and development of a long-term economic development strategy are not elaborated. Neither Hyderabad proposal provides any information on the expected or actual employment impact of investments.

Transformation of Mumbai into a World Class City, CDS and SU, Phase I, 2004, proposes an empirical analysis of slum, land, housing, and infrastructure markets and seeks to develop an institutional framework which will provide strategies for improving the conditions of the urban poor in the city, as well as for increasing economic growth and quality of life. The first of nine objectives in the proposal is to boost economic growth (to 8 to 10 percent per annum, from the existing 2.4 percent) by focusing on both high- and low-end services, developing manufacturing outside of the city, and making Mumbai a “consumption centre” (p. 2) Other objectives include improving and expanding mass and private transport infrastructure, increasing low income housing, relocation and rehabilitation of slum and pavement dwellers, among others. Successful long-term impacts of the ‘transformation anticipate increased economic growth, increased personal incomes, improved quality of life to all, and increased participation of citizens in civic society, and increased productive investments.’ (p 7) It is indicated that satisfaction surveys will be used to measure the impacts of the objectives on both citizens and the corporate sector. Measurement indicators are to include the number of citizens, including the urban poor, benefiting from improved quality of services, housing and incomes.

Transformation of Mumbai into a World Class City, CDS and SU, Phase II, 2007 ongoing, seeks to further develop “the Mumbai Metropolitan Region (MMR) as a world-class region with a vibrant economy and high standard of living for all citizens.” (p. 2) Expected long-term impacts of this phase would, again, be “the enhanced economic vitality and quality of life in MMR.” (p. 4) Economic vitality is to be measured with by the level and growth of incomes, while quality of life is to be measured based on the amount of housing space per capita, as well as quality, proportion of citizens in slums, and citizen satisfaction with public services and the environment. (p. 4)

A brief outline of short-term and long-term recommendations for the ‘transformation’ are provided in an attachment to Phase I. Main categories are strategic planning and finance, housing, physical infrastructure, economic growth, governance, and the social sector. Within economic growth there are no short-term goals listed. However, the long-term goals include taking steps to make Mumbai an international financial centre, development of a Special Entertainment Zone in an effort to “jumpstart the entertainment industry,” and the expansion of low-end, high-volume services such as infrastructure development, construction, and retail, hotels, and tourism. A final long-term goal includes the establishment of a Special Manufacturing Zone. (p. 16) However, specific interventions in the field of employment creation, labour-based slum upgrading schemes, support to the informal economy, and development of a long-term economic development strategy are

not elaborated. Neither “Transformation” proposal provides any information on the expected or actual employment impact of investments.

## **Philippines**

### **VII. City Development Strategies in the Philippines: Upscaling Poverty-Focused City Development Strategies in the Philippines and Creating an Enabling Platform for Good Governance and Improving Service Delivery**

The Philippines is in its third phase of City Development Strategy (CDS) development, which began in 1999. CDS 1 was a technical assistance grant from the World Bank, which piloted in 7 cities. CDS 2 followed beginning in 2001 with funding from the Cities Alliance and included 31 new cities.<sup>71</sup> CDS 3 was proposed in 2004 and is ongoing. In total over 60 cities are participating in the CDS process.

For the purposes of this review (thus far), available proposals, evaluations, and reports for three Philippine city CDS programs were reviewed: Parañaque (Luzon, National Capital Region, population: 449,411); Iloilo (Visayas; population: 365,820); and, Zamboanga (Mindanao; population: 601,794).<sup>1</sup>

At the national level, CDS in the Philippines seeks to institutionalize the CDS process as an inclusive intervention tool for strengthening local governments’ capacity to reduce poverty, expand their financing options, and address three main urban issues: good governance, transport, and housing. Each city participates in the completion of an Urban Karte – or study of the structure of the economy – in order to inform the CDS development. At the individual city level, promoting economic growth and competitiveness, expanding and improving basic service provision, and managing environmental issues including solid waste, appear to be the most prominent issues of concern.

In each of the cities’ City Development Strategies, the structure of the urban economy and employment is described (with varying levels of detail). Employment (and/or unemployment) rates are given for Parañaque and Iloilo, but not discussed for Zamboanga. Given particular attention are the respective cities’ economic strengths, weaknesses, and comparative advantages. However, in none of the cities’ Reports is the situation of employment, unemployment, or livelihoods described or analyzed in great detail, nor are normative strategies present directly in relation to increasing employment.

The informal economy does not feature strongly in the cities’ CDS Reports. It is only mentioned, however there is no further description, and no analysis or recommendations made that address its link to formal economy, livelihoods, or employment creation. The informal economy is primarily addressed in term of the potential tax base, which the government has not yet been able to tap, but which implementation of technological enhancements (GIS) will help to access.

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<sup>71</sup> See <http://www.cdsea.org/db/CDSContent.asp?ID=2>.

The overall orientation of the Philippine City Development Strategies, at the national and local levels is towards promoting positive business climate to attract local and international investors. Increased employment and improved livelihoods are stated or implied as secondary (or trickle down) benefits, when investors take advantage of CDS identified city enhancements, such as new business districts, industrial estates, and infrastructure.

There are priority projects in all three cities that could have the potential to generate significant employment in the field of construction and related industries. Many infrastructure projects (for basic service provision, new schools, hospitals, business districts, among others) could be approached from the perspective of labour-based or employment intensive development. At this stage, however, this orientation seems absent.

Nigeria

### **VIII. Karu, Nigeria: Upgrading (or Local Economic Development) through City Development Strategies**

The City Development Strategy process took place in Karu, Nigeria between 2001 and 2004, with the goals of strengthening the Local Government through community participation in municipal business, including budgeting, improving basic service provision, as well as mitigating poverty, and promoting social cohesion and political stability by encouraging pro-poor state and federal policies. The project sought to create linkages with other World Bank/IDA funding and UN Habitat campaign in Nigeria and internationally.

This review includes the available proposals, evaluations, reports, and a presentation from the Cities Alliance website and member website.<sup>ii</sup>

Despite the implication of upgrading in the project title, the main activities of the CDS process in Karu were to include a study and analytic report on the structure of the economy and employment, participatory strategic planning workshops, development of a business plan for Karu, capacity building for local government, as well as advocacy campaigns around secure tenure and pro-poor planning policies. Two major accomplishments of this project relate to employment: the study of the economy and employment in Karu; and, the formation of “cluster groups,” primarily from sectors of the informal economy, which contributed to a Local Economic Development (LED) plan, and subsequently became The Karu Business and Economic Development Committee (BEDC).

The economy and employment report drew on surveys of households, the formal sector, and transport companies. It provides an in-depth description of the formal and informal economies (1.5 percent and 98.5 percent of the total, respectively), as well as their contributions to employment, incomes, and GDP. It also reveals constraints to expansion for small businesses and recommendations to overcome them, including infrastructure improvement and expansion and access to credit. Other recommendations consider the

roles of various urban actors – addressing policy, communities, local and state government, and the “City Consultation” on sustainable development in Karu (including various stakeholders such as businessmen and women, market women, artisans, government officials, traditional title holders, youth, employers of labour, trade associations, and cultural groups).

The Karu Business and Economic Development Committee, or BEDC, includes representatives from all of the main economic areas in Karu and continues to exist beyond the Cities Alliance project. During the CDS process, the BEDC followed on the economy and employment study and report with “Agreed Actions to Stimulate Local Economic Development in Karu.” Today BEDC operates as a resource body for entrepreneurs and a mediating body between entrepreneurs (primarily small business owners, presumably) and government. Accomplishments of the BEDC include development of over 3000 market shops, acquisition of four vehicle parks, acquisition of over US\$ 65,000.00 in micro-credit for small scale industries in Karu, HIV and financial management training for small scale industries, and liaising with donor agencies such as GTZ, AAPW, and KAPDA.

The two major products of the Karu CDS process significantly contribute to understanding the urban economy and employment, and also make important normative recommendations for improving the economy of this satellite city of Abuja. Beyond the recommendations identified above, the BEDC LED strategies encompassed land-related regulatory streamlining and business incentives, zoning revisions, public security, and tax rate revision.

Nevertheless, the strategies recommended are primarily supply-side approaches to strengthen the business climate, or potential for entrepreneurs to start businesses and established enterprises to grow and thrive. It is implied that if the conditions are created – i.e. the recommendations outlined and LED strategy are put into place – then jobs (or full employment) will be a necessary result. What appears to be lacking is in-depth understanding of un- and under-employment, and focus on actively creating employment. The role of the government comes across as mainly one of providing infrastructure, land for economic development, and a business-friendly regulatory environment. However, the established relationship between the BEDC and the local government provides the opportunity to explore new potential roles for employment creation.

South Africa

#### **IX. City Development and Slum Upgrading Strategies in South Africa – Ekurhuleni: Upgrading for Growth Ekurhuleni's City Development Strategy**

In review of the Cities Alliance proposal for the Upgrading for Growth Ekurhuleni's City Development Strategy 2005/06, built on the Breaking New Ground Policy, the South African National Department of Housing's new policy for development of Sustainable Human Settlements 2004, the document aims to identify possible ways in which infrastructure and social services investments that can be leveraged for increasing and

supporting economic development. Furthermore, the objective is to make human capital the center of its upgrading process by looking at market and labour growth strategies and opportunities in the manufacturing and agricultural sectors of the municipality to drive sustainable development.<sup>1</sup>

The core methods for carrying out the municipalities main objectives involve a growth opportunity analysis that includes the collection and analysis of socio economic information from households and identification of existing skills and small businesses in the region to create a clear picture of the labour supply and micro economy in the informal settlements. Another step is to focus on macro-microeconomics connectivity to build alliances between business firms and local institutions to support training and skills programmes and link the formal and informal economy. The final step is to conduct sporadic growth constraints analyses that will result in a set of recommendations to improve implementation of the strategy and develop institutional capacity.<sup>2</sup>

The strategy is noticeably descriptive and analytical of the current employment situation in Ekurhuleni municipality but it does not offer any specific regimen for job creation but it does refer to partnering with private sector enterprises, job and skills training facilities and other local institutions to conduct an analysis of the situation. Infrastructure building is mainly mentioned in reference to provision of better physical and social services within the community as well as to support business investment growth. The strategy remains on the assumption that economic growth will lead to increased employment and that provision of social services will enable workers to take up skilled jobs which arise as a result of segregation. However, it does not specify the ways in which the municipality will create the new resources and income opportunities for community members neither does it show any empirical evidence of unemployment levels in the metropolitan municipality and specifically the municipality's 104 informal settlements.

Overall, the strategy is perhaps antithetical to the more traditional urban development plan as it looks to approach development and upgrading from a market based approach and not a housing approach, however, in spite of short-term strategic activities increase productivity in the city, it pays relatively less attention to a long-term vision and to underscore new ways to generate capital formation and labour productivity for increasing resources to be used for urban growth even through housing delivery, which is its main protocol.

Complementary studies specific to the role of employment in housing and slum upgrading practices in other South African cities suggest that there are explicit national and provincial government policies and strategies that encourage employment through other governmental departments but it is not extended to housing policies. For example, in Canto Manor, Kwazulu Natal, and Vosloorus, Gauteng, upgrading strategies procurement and contracting of local labour-based construction and materials, skills development and temporary employment strategies have been implemented to generate employment creation but these have been targeted to only a small percentage of the overall populations. Further, these studies suggest that employment creation remains a significant part of the city vision and that there is a considerable potential to incorporate

and improve employment creation in such initiatives, however, critical limitations are found in policies, regulations, administrative processes, management, governance and human capacity, which need to be addressed.<sup>5</sup>

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Documents reviewed for Brazil:

“Bahia Integrated Urban Development Program-Viver Melhor II: Technical and methodological assistance project (PAT)” Project proposal to Cities Alliance submitted by Moussallem de Andrade (Secretaria de Desenvolvimento Urbano - SEDUR (State of Bahia Department of Urban Development). Sponsored by Jack Stein (Sector Manager: LCSFU, Urban Development and Water Supply and Sanitation, Latin America and the Caribbean Region, World Bank) and LCSFU/LCSFW Alessandro Modiano, (Head, Asia and Latin America Office, DGCS, Ministry of Foreign Affairs, Italy). No date given.

Baker, Judy. *Integrated Urban Upgrading for the Poor: The Experience of Ribeira Azul, Salvador, Brazil*. World Bank Policy Research Working Paper 3861, March 2006.

Independent Evaluation of the Cities Alliance prepared for the Consultative Group by Universalia. October 2006.

AVSI Social Report 2004. Collaborative report prepared by: Piera Benaglio (external consultant, Chiara Savelli (internal coordinator), Giampaolo Silvestri (Project Manager), Accent on Design, Milano and Venturini DMC, Maniago (PN) www.avsi.com. 2004.

Documents Reviewed for China:

Cities Alliance Proposal: Urban Upgrading Strategy, Yangzhou. May 2005.

Cities Alliance Proposal: China: Economic Revitalization by Cities in Heilongjiang Province. July 2005.

Documents reviewed for Chile:

Report of a Field Evaluation of the Cities Alliance Grant: *CHILE: Local Development Strategies for Housing Solutions to Overcome Poverty A Learning Analysis of Outputs and Results.*” Activity conducted from 15 - 20 of May, 2006. Field evaluation team consisted of William Cobbett, Joerg Haas, and Andrea Merrick (all of Cities Alliance) and George Gattoni (consultant).

“Support the implementation of the programme to recover 200 Neighbourhoods through Capacity Building and Strengthening among Local Actors (Municipality and Community) and Public Services.” Proposal to Cities Alliance submitted by Patricia Poblete, from the Minister for Housing and Urban Planning. Sponsored by Jorge Gavidia (ROLAC, UNHABITAT) and Reinhard von Brunn (Director of German Agency for Technical Cooperation, GTZ-Chile). No date given.

“Local Development Strategies for Housing Solutions to Overcome Poverty.” Proposal to Cities Alliance submitted by Hernan Pinto (President, Chilean Association of Municipalities – AchM). Sponsored by Jorge Gavidia (Chief of UN-HABITAT, ROLAC), Heinz Willi Haan, (Chief Adviser, GTZ - Chile, Chilean Association of Municipalities, - AChM) and Jaime Torres Lara (Executive Director, International Union of Local Authorities (IULA))

Documents reviewed for the Egypt:

Alexandria City Development Strategy (CDS) for Sustainable Development, 2003  
Alexandria City Development Strategy (CDS) for Sustainable Development, Phase II, 2007

Documents reviewed for the India:

Evaluation of completed Cities Alliance Grants, December 2004: Local Partnerships for poverty-focused CDS in Hyderabad, 2001 - 2003  
Proposal, City-wide Slum Upgrading Action Plan, Hyderabad, 2004 (ongoing)  
Proposal, Transformation of Mumbai into a World Class City, CDS and SU, Phase I, 2004  
Proposal, Transformation of Mumbai into a World Class City, CDS and SU, Phase II, 2007

Documents reviewed for the Philippines:

Upscaling Poverty-Focused city Development Strategies in the Philippines, joint proposal to the Cities Alliance (Application Form). Submitted by Toru Hashimoto (World Bank, Manila), Chris Radford (Urban Development Branch of UNCHS), and Hiroichi Kawashima (Urban Development Division, World Bank Headquarters). 18 July 2000.

Final Project Evaluation of Cities Alliance Grant Project: “*Upscaling Poverty Focused City Development Strategies in the Philippines.*” Based on a mission to the Philippines April 12-24, 2004 by Peter Palesch, Pascale Chabrilat, Somsook Boonyabancha, Vicky Antonio and Tony Pellegrini.

City Development Strategies in the Philippines: An Enabling Platform for Good Governance and Improving Service Delivery. Proposal submitted by Honorable Geronimo Buenaventura Treñas, President of the League of Cities of the Philippines, and sponsored by Ming Zhang (Infrastructure Sector Coordinator, World Bank Manila), Michael Lindfield (Principal Housing Finance Specialist Asian Development Bank, Social Sector Division, Manila), Shozo Matsuura (Resident Representative, Japan International Cooperation Agency, Makati), and Chris Radford (Senior Human Settlements Officer, UN Habitat, Fukuoka). No date (project proposed to begin August 2004).

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City Development Strategies CDS Full Report Zamboanga City (and Annex A: Urban Karte). [www.cdsea.org](http://www.cdsea.org).

Documents reviewed for Karu, Nigeria:

Karu Upgrading Through City Development Strategies, proposal to Cities Alliance. Submitted by His Excellency Alhaji Abdulahi Adamu, Governor of Nassarawa State, Nigeria. Co-sponsored by UNCHS (Alioune Badiane, Director, Regional Office for Africa and the Arab States), DfID (Robert Blakelock), and World Bank (Jagdish Bahal, Senior Urban Finance Specialist). No date (project proposed to begin 3/15/2001). [www.citiesalliance.org](http://www.citiesalliance.org).

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Evaluation of Completed Cities Alliance Grants: Scaling-up upgrading through a CDS Approach in Karu. Submitted by Governor of Nassarawa State, sponsored by the World Bank and UN Habitat. December 2003.

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“Local Economic Development in Africa,” presentation by Ibrahim Sadiu, Karu Business and Economic Development Committee, Nigeria to the Africa Cities Summit. 20 September 2006. [www.citiesalliance.org](http://www.citiesalliance.org).

Documents Reviewed for South Africa:

Cities Alliance Proposal: Upgrading for Growth: Implementing the Breaking New Ground Policy Within Ekurhuleni's City Development Strategy. February 2006.

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