TOWARDS AN URBAN FUTURE: A DRAFT REPORT

An Assessment of Issues and Trends

EXECUTIVE SUMMARY

"Sustainable development…provides the foundation for our common future. Countries that are able to achieve sustained development gains make more capable partners, can engage in and contribute to a growing global economy, and provide their citizens with the opportunity and freedom to improve their condition." Rajiv Shah, USAID Administrator, "A New Way Forward on Global Development"
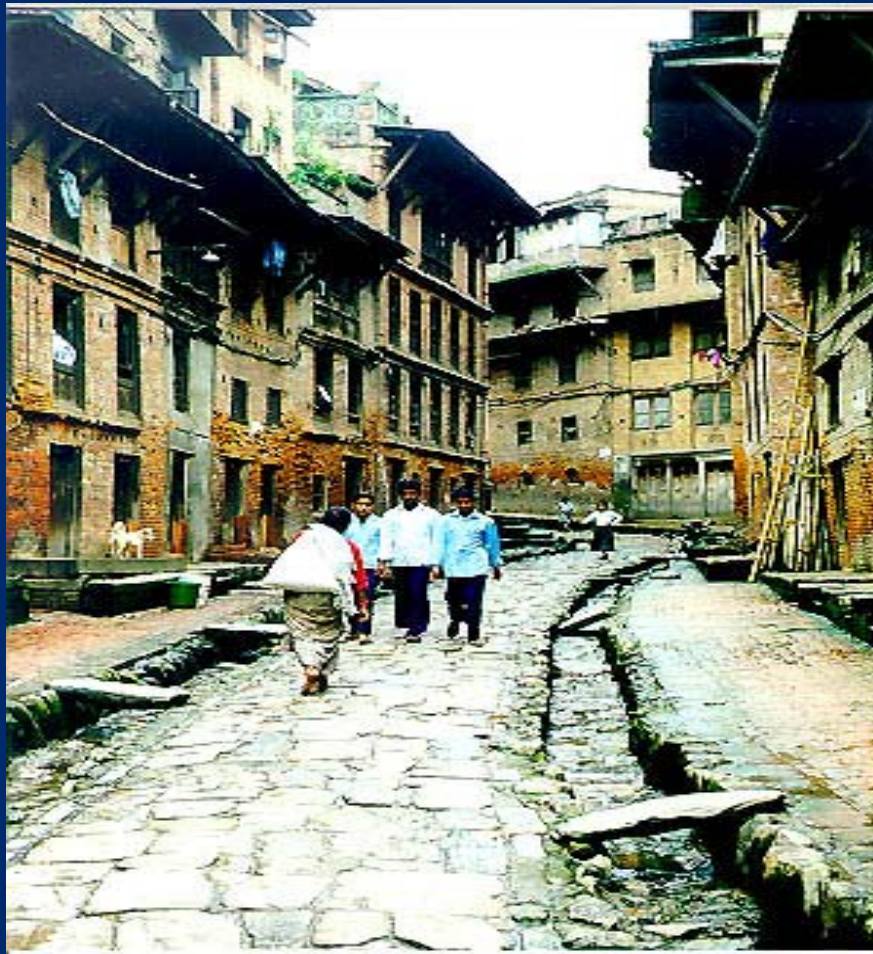
This assessment report was prepared to support the U.S. Agency for International Development's (USAID) Urban Programs team to develop programming tools that help USAID missions to respond to a rapidly urbanizing world. It takes, as a starting point, the fact that over half of the world's population now lives in urban areas for the first time in history and that, due to economic and social globalization and rapid economic growth in the developing world, the engines of economic development in most of the world's countries will be its towns and cities.
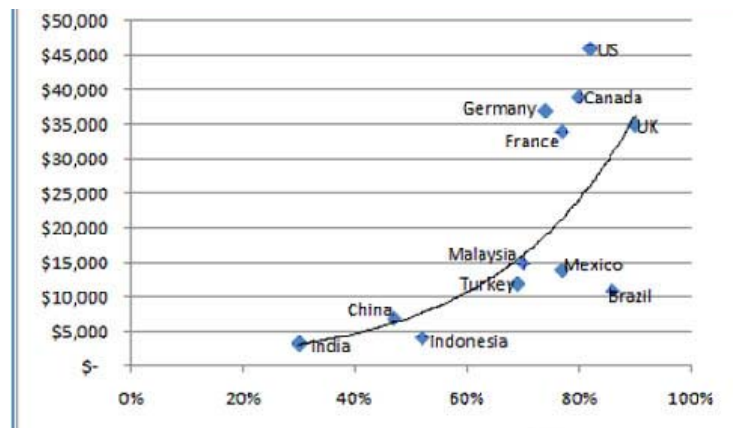
AN URBAN FUTURE

Urban centers, whether smaller market towns or larger cities and megacities, play a critical role in concentrating critical economic information, transactions, support services, and physical resources. It is the interplay of these that results in economic growth and social development. The relationship between urbanization and increase in GDP can clearly be seen in this figure from the 2007 World Development Report. It is precisely in urban centers where the concentration of human capital, infrastructure and economic activity can leverage even modest but well-targeted investments to achieve significant development impacts.

Figure 1. Correlation between Urbanization and National GDP

However, urbanization, in much of the developing world, has been so rapid and unplanned that critical governance, infrastructural and service delivery requirements are barely being met and, for the vast numbers of the urban poor, they are mostly not being met at all.

Moreover, the challenges of the future: food security, health, adapting to and mitigating the impacts of climate change, and reducing poverty through broad-based economic growth, all require an integrated approach, nowhere more so than in urban centers. An integrated approach to

sustainable urban development requires effective, accountable and participatory-based governance mechanisms and policies.

Urban Demographic Trends. In 2007, the global urban population was just over 3.3 billion people, which meant that the majority of the world's population was urban for the first time in history. The world's cities are only beginning to prepare to deal with their burgeoning populations. Latin America is the most urbanized region of the developing world; Africa is the fastest urbanizing region and Asia has the largest urban population, and all will continue to grow.

Figure 2. Urban and rural populations of the world, 1950-2050
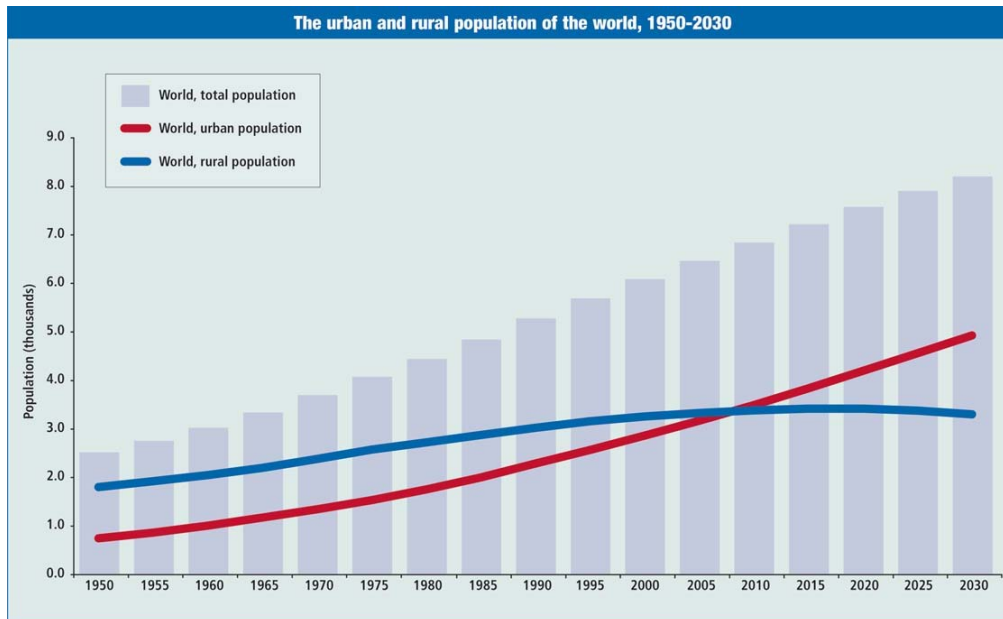
Source: *United Nations Department of Economic and Social Affairs/Population Division 5. World Urbanization Prospects: The 2007 Revision.*

In **Latin America and the Caribbean**, 73 percent of the population was living in urban areas in 1995; a level of urbanization similar to that of Europe. By 2025, 82 percent of the region's population is projected to be urban. In Argentina, Uruguay, Venezuela and Chile, the urbanization levels are already over 80 percent, which means their urban population growth rates will be lower than countries with much lower levels of urbanization. For the whole LAC region, in 2007, 86 percent of people living in urban areas have access to safe water, and 71 percent of the people in the urban areas have access to sanitation services.[1]

Africa is still the least urbanized region in the world with only 38.7 percent of the continent-wide

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[1] UN HABITAT. 2008. Global Urban Observatory. Ww2.unhabitat.org/habrdd/latin

population residing in cities as of 2007. Africa's population is unevenly distributed geographically, and significant intra-regional urbanization differences exist within the continent. According to the State of African Cities Report of 2008, Africa's urban population was 373.4 million. By 2030, however, the continent's urban population is projected to more than double to 759.4 million. This trend is dramatically portrayed in Figure 3, below. This means that half of its total population will be living in cities. It is projected that by 2050 there will be more than 1.2 billion African city dwellers. The East Africa region is currently the least urbanized region of the world, but this is rapidly changing as even here its urban population is expected to increase from 21% of total population to 25%.[2]

In 1950, only two cities had populations of 1 million or more in Africa: Cairo and Alexandria, both in Egypt. Cairo, Kinshasa and Lagos are currently Africa's largest urban centers and are projected to remain so, as described in Figure 3 below. However, the number of cities in Africa over one million people is projected to increase from 43 cities in 2007 to 53 by 2015. If this trend continues as expected, the urban population rise will be truly dramatic, with tremendous implications for economic development, food security, and for Africa's role in a globalized economy.

Figure 3. Growth of Selected African Cities of More than 1 Million Inhabitants
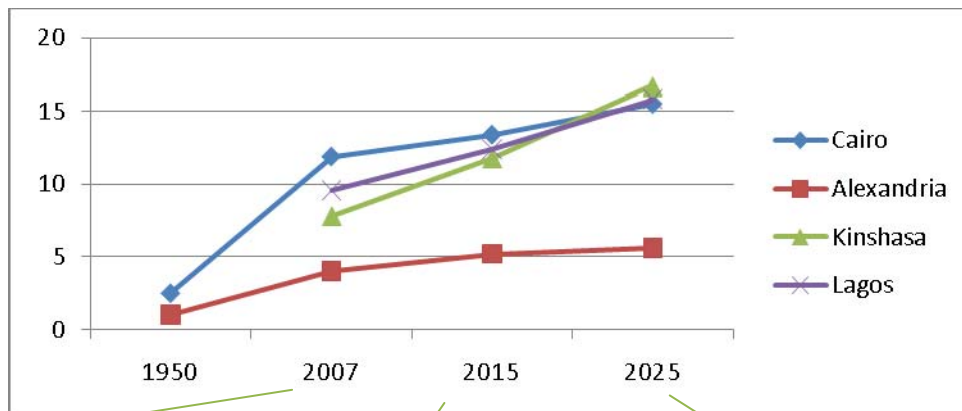
Note: Vertical axis is urban population (millions)
Source: UN HABITAT, 2008, *State of African Cities Report*, Nairobi

Asia's urban population at the beginning of the 20th century was 19 percent of the total global

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[2] UN HABITAT 2008. The State of African Cities. Nairobi.

urban population. By 2005 it had grown to 48 percent of the world's total urban population. By 2006, migrants crowding into capital cities and major commercial centers were swelling them into megacities with populations over 10 million. By 2010, it is estimated that there are 23 mega-cities; together they are home to 222 million people. A majority of the world's megacities are located in Asia. But small- and medium-sized towns with populations up to 1 million people are also growing fast. In fact, in India and China, small and medium sized cities are growing at a faster rate than mega-cities.[3]

It is clear that not only is the world becoming urban, but also that poverty is becoming an increasingly urban phenomenon. Urban poverty rates in several of Africa's most populous countries are close to rural poverty rates and if current projections hold true, in 20 years more than half of Africa's poor will live in urban areas. Policy makers must therefore recognize that an increased focus on raising incomes and improving livelihoods in urban areas will be key to reducing overall poverty rates.

The Role of Cities in Economic and Social Development. Towns and cities are growing rapidly because of their economic and social dynamism. Today cities are the engine of national development. This dynamism has been enormously enhanced over the last thirty years due to economic and social globalization. Direct foreign investment in "offshore manufacturing platforms" for Western transnational companies and, increasingly, developing country-based multinationals (especially in Asia) have generated large, mostly urban employment. This, in turn, has stimulated the emergence of thousands of small businesses linked to these industries, generating still more employment and attracting still more urban migrants. China is, by far, the most dramatic example of this rural-urban economic transformation, but a similar process has been taking place at a smaller scale in many developing countries.

Social globalization is largely a phenomenon of the Internet and rapid advances in information and communication technology (ICT). These new media have greatly accelerated the transfer of information and knowledge, stimulated the creation of global social networks, and facilitated economic transactions. Only 12 percent of Indonesia's population has any access to the Internet. Nevertheless, they have the 2nd largest number of Facebook subscribers in the world, after the USA, virtually all of whom live in towns and cities[4]. Mobile telephony has transformed communications and economic interaction, as developing countries simply leap-frogged over traditional but highly capital-intensive land lines.

The impact of this economic and social integration has been not only to accelerate the growth of

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[3]ADB. June 2006. *Urban Sector Strategy and Operations Evaluation Study, Operations Evaluation Department.* Manila. p. 6.

[4] From: Internet World Stats (**http://www.internetworldstats.com/asia/id.htm**) and Norimitshu Onishi (April 19, 2010), "Debate on Internet's Limits Grows in Indonesia", *The New York Times*.

towns and cities, but also to dramatically increase their role and importance to national and regional development. This integration and associated dynamism are likely to continue to grow, posing tremendous challenges for urban governance, finance and infrastructural development. Admittedly, many developing countries have experienced urbanization without achieving improvements in economic growth or interconnectivity. This is more often found in least developed countries where people are moving to cities with the hopes of better economic opportunities but are often disappointed by the realities they find.

USAID: TOWARDS AN URBAN FUTURE

With half the world's population now living in cities and with development challenges like climate change, health, water supply, and food security having particularly strong impacts on urban populations and infrastructure, USAID needs program approaches that are appropriate for responding to the development challenges of a rapidly urbanizing world.

Based on interviews with urban professionals, USAID staff, and the broader development community, we note the following **key findings**:

- To meet the demands of more economically and socially complex societies, national governments have been increasingly decentralizing and delegating authorities to subnational levels of government and especially towns and cities. This has placed new governance burdens on local governments largely unprepared to address them.

- Rapid urbanization has resulted in the need for large investments in urban infrastructure including water, sanitation, and urban transport, among others. This places a tremendous burden on municipal governments, especially since an ever growing proportion of the urban population lives in unplanned settlements and slums. USAID's investments in urban infrastructure may create more synergies with USAID's key initiatives like Feed the Future if it is directed at market towns and secondary or tertiary cities.

- Climate change poses serious challenges to many towns and cities, exacerbating the vulnerability of many of the urban poor to disaster and dislocation. Cities will play a major role in climate change adaptation and mitigation, and will provide critical services and infrastructure to support food security. USAID and U.S. Government agencies and NGOs have a tremendous amount of expertise and relevant training and models to offer in the form of partnerships to address climate and food security related challenges.

- While urban women often experience greater opportunities for economic and social freedom and education compared to their rural counterparts, poor urban women are frequently subject to economic and social exploitation and hardship. Support for poor

women's small enterprises and savings associations has been shown to be highly productive and often a key to their households being able to escape from chronic poverty.

As USAID moves ahead with the development of new technical resources and programming approaches, the following recommendations may be considered for focusing the Urban Program team's technical direction and leadership:

- **Linkage to initiatives.** Feed the Future, Global Health, Climate Change, and other congressional and executive priorities cannot be properly addressed without understanding the demographic realities of an increasingly urbanized world. The Urban Programs team could provide technical leadership on approaches for working in urban environments and identify cross-sectoral approaches that develop synergies across the initiatives.

- Expansion of opportunities to **collaborate with, support, and complement the programs of other donors** providing assistance in the design and implementation of national decentralization programs and programs to strengthen local government capacity and expand municipal finance options. International organizations such as Cities Alliance, UN HABITAT, the World Bank, and the regional development banks (IADB, ADB, AfDB, etc.) have told the assessment team that they would welcome deeper U.S. collaboration in this sector. At the country level, other bilateral donors are working in local government strengthening but their resources are limited and collaboration with USAID could achieve greater results.

- **Support for capacity building for national/local governments; private sector; NGOs and community-based organizations** to connect resilient urban infrastructure development to improved livelihood opportunities; access to credit for sanitation and household connections to city water supply and sanitation systems; improved, energy efficient building design and construction; resilient building technologies; and transparent urban service project design, management and implementation.

- **Innovative urban services and "green" building initiatives**. Innovative urban development includes green infrastructure approaches and building initiatives to reduce the carbon footprint of urban growth and construction. Areas that could be addressed include energy efficiency, renewable energy options, transport options including bike lanes and mass transit, recycling water and waste water, renewable energy sources including solar energy, and green building design.

- Development, maintenance, and analysis of a **city information base** to understand what needs to be done and to serve as the basis for **inclusive urban infrastructure planning**, and future rational urban growth. This information base should be used through a geographic information system (GIS) to provide important information on vulnerable populations and

available land for development in safer areas of a city, or indicate what site protection measures are required to build services. This database would also provide a disaster and climate change impact history, information on the most vulnerable areas in the city, and identify escape routes, secure safe havens, schools, historic urban areas, and other sensitive built and natural areas in need of protection.

Seeking a New Role for USAID in Urban Development. Across the range of sectors in which USAID invests, many of its interventions are located in cities both large and small. The challenge facing USAID (and other donors) is to make effective use of the urban landscape and its relative concentration of human and financial resources and infrastructure to better enable cities to serve as engines of growth for their own citizens as well as rural populations. For USAID, this will require it to a) **better integrate sectoral projects and programs across the urban landscape** by identifying common requirements such as improved governance, climate change resilience and a focus on poverty reduction, and b) actively seeking **synergies among assistance programs** by identifying and supporting common, inter-sectoral requirements, including new forms of finance, good governance, and public-private partnerships. Finally, the relative concentration of populations and organization of urban centers can facilitate the use of participatory approaches to development assistance, allowing USAID to promote democratic governance and to leverage and scale up its assistance impacts more effectively.

USAID's traditionally more flexible, country-based strategy and program development has allowed it to take a leadership role among donors in the past. In an era of widespread earmarks and other central initiatives, this assessment recommends an approach to sustainable urban development, which seeks to make more effective use of those earmarked programs through improved integration and synergy across the urban landscape and to actively seek partnerships with other donors, NGOs, and private and public sector entities in partner countries.