

CITY DEVELOPMENT STRATEGY GUIDELINES: DRIVING URBAN PERFORMANCE



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**CITIES ALLIANCE
WASHINGTON, D.C.**

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* These guidelines were prepared by Douglas Webster and Larissa Muller, in close cooperation with the staff of Cities Alliance.

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CITY DEVELOPMENT STRATEGY GUIDELINES: IMPROVING CITY PERFORMANCE

The Cities Alliance is a global coalition of cities and their development partners committed to scaling up successful approaches to poverty reduction. The Alliance brings cities together in a direct dialogue with bilateral and multilateral agencies and financial institutions.

The Cities Alliance members promote the developmental role of local governments and help cities of all sizes obtain more coherent international support. By promoting the positive impacts of urbanization, the Alliance helps local authorities plan and prepare for future growth. The Alliance helps cities develop sustainable financing strategies, and attract long-term capital investments for infrastructure and other services.

The Alliance provides matching grants in support of:

- City development strategies (CDS) which link the process by which local stakeholders define their vision for their city and its economic growth, environmental and poverty reduction objectives, with clear priorities for actions and investments;
- Citywide and nationwide slum upgrading in accordance with the Alliance's *Cities Without Slums* action plan (Millennium Development Goals Target 11), including promoting secure tenure, access to shelter finance and policies to help cities prevent the growth of new slums; and

Although the Alliance and its members developed some early guidelines for the CDS process, there is a strong case for summing up the lessons of these experiences and to put it into a concerted document, which is these guidelines.

Looking ahead, a number of issues need to be changed in the way cities are doing their business. To mention some areas, where the Alliance is going to work actively the coming years; integrating CDS and Citywide slum upgrading, developing repetitive access to financing from domestic sources, finding new tools for expanding the city's role for local economic development, and fundamentally changing the way the city approaches environmentally. A major challenge is to identify ways to increase the flow of domestic long term capital to developing cities in support of their upgrading and city development strategies.

The *main target groups* for these guidelines are the actors involved in the CDS process at the local level, such as mayors and city managers, business community, investors, civil society, international organizations and donors.

The purpose of these guidelines is to improve the usefulness and positive impact of City Development Strategy (CDS) processes supported by the Cities Alliance (CA). The guidelines presented are designed to assist key stakeholders to use City

Development Strategies to maximize the potential of their cities, ultimately measured by improvements in the *standard of living* of residents, especially the poor, *resiliency*, and *competitiveness*.

The guidelines are based on the assessments of CDS processes and products, in the context of contemporary urbanization dynamics. The guidelines have been prepared by Douglas Webster and Larissa Muller¹, in close cooperation with the staff of Cities Alliance.

The assessments focused on CDS processes sponsored by the Cities Alliance, although city development strategies prepared under different auspices were also reviewed. For additional information on Cities Alliance, see: <http://www.citiesalliance.org>

Washington DC, March 2006
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CITY DEVELOPMENT STRATEGY GUIDELINES: IMPROVING CITY PERFORMANCE

Context

The Role and Potential of Cities

City development strategies are based on the premise that a city's development path can be altered significantly by well positioned and well timed public, private, and civil society strategic interventions. If national urbanization policy frameworks are aligned with local strategies, change is likely to be deeper and quicker. Empirical evidence indicates that the performance of cities can change enormously within a short period of time, certainly within a generation, i.e., 10-20 years. Dormant cities, such as Shanghai and Glasgow, have returned to health in a relatively short period of time, based on focused strategies that incorporate policies, political will, and catalytic investment, while cities such as Lagos and Manila have problematic track records, lacking coherent urban development strategies.

The performance of 21st century cities is of global concern; urban regions will be the most important mechanisms of poverty prevention and alleviation, the front line in adjusting to a post-petroleum world (cities consume most of the world's energy and commodities³), and will determine the economic fate of nations and continents, accounting for over 80% of global economic growth. Because cities are so productive, a product of density and high transaction environments, they drive much higher levels of household income, consume less energy per unit of economic output as they develop, have lower per capita costs for environmental infrastructure, etc. These positive impacts of urbanization are being leveraged by the rapidly increasing level of global urbanization. By 2030, at least 61% of the world's population will live in cities, and by 2060, the world will likely be fully urbanized (i.e., over 80% of the world's population will live in cities.) However, some cities are performing far below potential, particularly in Sub Saharan Africa, inhibiting opportunities for their populations, and development benefits to the regions in which they are located.

Emerging Challenges

Developing cities, like their developed counterparts, face considerable uncertainty. Cities that are confronted with the tasks of managing population growth rates unprecedented in history, but are already unable to cope with existing backlogs. The decentralisation of responsibility to the local level, an imperfect and uneven process at best, is often not matched by the allocation of resources and authority.

² Including evaluations, background papers, etc.

³ Including inter-city flows.

As the numbers of urban poor grow, inequalities in opportunity and income are deepening – it is estimated that nearly three-quarters of Africa’s urban residents reside in slums, often unrecognised and unserved by their local government. Furthermore, as we have seen in New York, Madrid, London, Casablanca and Dar es Salaam, no city is immune from terrorism. Poorly performing and failed states put cities in a perilous position because they are complex systems linked to the external world. Global warming is expected to cause rising sea levels threatening many large developed and developing cities. In short, many developing cities clearly face a perilous future unless better strategizing, that incorporates *anticipation* and *foresight*, becomes the norm. Indeed, *resilience* is becoming as important as *competitiveness* in terms of urban performance.

Why do a CDS?

Given this competitive and uncertain environment, developing cities need to be disciplined in achieving targets, utilizing limited financial and human resources in the most effective ways. At the same time, capital available to any given city is highly elastic, flowing to cities that show potential, and have well thought out urban futures. An effective CDS process can both attract capital and discipline its use.

An effective CDS is designed to *shock* the system, albeit under controlled conditions. The *Mumbai First* strategy, driven by the business community, although not accepted by the overall community, did just that – catalyzing new thinking about Mumbai, and raising the possibility of a completely different future. An effective CDS assesses a city, using the best domestic and international resources available, in a frank and objective manner, enabling a city to see its future more clearer, and identify the best routes forward.

Local governments alone cannot turn a city around. They control a miniscule portion of capital available for city building, and often an even smaller percentage of talent in urban innovation. Although important as catalysts to take action, and representatives of the public interest (in theory, at least), local governments must work in partnership with private and civil society interests to change a city’s developmental direction. CDS processes are based on private, public, civil society partnerships.

Guidelines

For assisting in the design of a CDS process, the Guidelines are organized around five substantive themes and eight methodological steps to set the building blocks.

⁴ See: “Emerging Economies: Climbing Back”, *The Economist*, January 21 2006, pp. 69-70, and: “Emerging Economies: Coming of Age: The Rich Nations no longer Dominate Global Production”, *The Economist*, January 21 2006, pp. 10-11. According to the above sources: The emerging economies now account for over 50% of global output in PPP terms – for the first time since 1870, 42% of exports are from developing countries up from 20% in 1970, and economies of developing countries are growing at 6% annually compared with 2.4% in developed countries - consuming 47% of the world’s oil.

The themes that are important in most CDS processes are; i) Livelihood such as job creation, business development and sources of household Income ii) Environmental sustainability and energy efficiency of the city and the quality of its service delivery, iii) Spatial form and its infrastructure iv) Financial resources v) Governance.

The building blocks that are recommended to be used in the CDS process are; i) How to initiate the process , ii) establish the initial parameters and the scope of the CDS iii) make a rapid assessment, iv) formulate your vision, v) identify your strengths-weaknesses-opportunities-threats (SWOT), vi) set your strategic thrusts, vii) build awareness and viii) start the implementation.

Themes (Substance):

Livelihood (Jobs, Business Start-ups and Household Income)

Virtually every CDS has to address the question of livelihood – the bottom line in every city is household income. In most developing cities, employment creation will not absorb increments to the urban labor force. Thus livelihood enhancement is as much about support to individual entrepreneurs and start-up of small businesses, as it is about formal employment in existing firms. The poorer the city, the more important the informal sector. Because it is difficult to sustainably reduce poverty unless household incomes of the poor can be increased, economic growth is essential to improve the lot of the urban poor, and especially new urban migrants.

Livelihood performance in developing cities is inextricably bound up with the business climate. Local governments can do much to help small businesses, e.g., training, minimization of nuisance taxation, and support to small-business start-ups.

The competitiveness of cities (how they perform vis-à-vis other cities in a given activity area) is becoming increasingly important relative to comparative advantage. Analysis of competitiveness, and strategies to enhance it, is best approached from the perspective of economic clusters, rather than traditional economic sectors.

Human resource development, especially over the medium-run, is critical to competitiveness. CDS processes should identify means to: (i) improve access to education and training, particularly by the poor, (ii) improve the quality of training programs, and (iii) better align local educational curricula with the emerging urban economy.

Environmental Quality, Service Delivery, and Energy Efficiency

In the past, CDS processes tended to view environmental and energy concerns in two ways: (i) as “add ons” to overall strategies driven by economic and spatial concerns, and (ii) as a subject for conventional environmental infrastructure programming. Given the rising cost of energy, the vulnerability of fresh water sources, the urban sprawl and related mobility costs, the increased frequency of natural

hazards in many cities, environmental and energy considerations must become part of the core CDS strategic process. Secondly, although programming of infrastructure services, e.g., trunk / feeder sewerage networks, is obviously an important routine task of cities, CDS processes should be based on innovative thinking, e.g., addressing types of technologies to be used, the role of demand management, etc.

The extent to which a city addresses looming energy and water cost/supply, squeezes may significantly determine its future competitiveness; energy costs are reflected in virtually every product and service a city sells, and the standard of living of households, particularly poor ones. An effective CDS will suggest incentive structures to induce behavioral change associated with more efficient energy use in: *industrial processes, building construction* and use (green buildings), *household consumption*, and *urban form*.

In terms of service delivery, the CDS should focus on coverage (geographic), accessibility / affordability (price), and quality: cost (often tradeoffs need to be made depending on the socio-economic status of neighborhoods).

Spatial Form and Infrastructure

Recent extensive research in East Asia has stressed the importance of infrastructure both in support of pro-poor development and urban competitiveness.⁵ The neglect of infrastructure investment in most developing cities over the last 15 years is increasingly inhibiting their performance. Infrastructure assessment and investment planning is complex, but requires careful attention in CDS processes. Often trade-offs, as well as synergies, exist between equity objectives (providing basic services to all members of urban society at affordable rates), and economic objectives, which may be facilitated by expressways, ports, airports, etc.

Cities should be concerned about their spatial form. However, urban form should not dominate the content of a CDS. Land use / physical plans should flesh out the physical implications of the CDS, and be deliberately linked to it. Spatial form, from a strategic perspective, is of particular concern on three counts: (i) the close relationship between urban form and energy efficiency, (ii) the close relationship between attractiveness of cities (amenity) and economic performance – it is virtually impossible for an unattractive city to move into higher value economic activity, and (iii) the critical importance of land (availability, location, tenure) in addressing the challenges of slum communities. Slums should not be treated as unique, outside the land market. Rather, the market value of slum community land (very valuable, especially if in the core city) should be recognized so that win-win outcomes can be orchestrated through use of market based techniques such as land readjustment, that have the potential to leverage the enormous amounts of capital that slum communities represent.

Very important is the need to ensure accessible land for a wide range of actors (ranging from formal developers to newcomers themselves) to provide housing

⁵ ADB, JBIC, World Bank, *Connecting East Asia: A New Framework for Infrastructure*, World Bank: Washington, 2005.

and communities for new migrants. It is much easier to prevent poverty by absorbing migrants effectively into housing, transportation, and livelihood systems, than deal with the problems later. The number of rural-urban migrants to developing cities over the next thirty years will exceed the flows of the last 30 years – thus prevention strategies are as important, if not more so, than alleviation strategies. Peripheral communities need to be connected to employment nodes by affordable efficient transportation systems. Fortunately, developing cities are becoming more multi-nodal, making concentrations of employment more accessible to the poor.

Financial Resources

Many CDS processes have over-emphasized the importance of local government budgets. Local government financial management is very important and it is essential that it be done effectively, as outlined in Appendix 4. However, CDS processes should be based on an understanding that the role of local government is to mobilize financial resources from both within and outside the city, and from public (e.g., national government programs), private (domestic and multinational companies), and civil society (voluntary organizations) sources. Over the medium term (10 years), the amount of capital that a city can raise to improve its public and private environments is highly elastic, and potentially very large, given the right policy frameworks, marketing and promotion, etc.

Governance

Just as in the case of finance, governance far transcends the role of local government. However, local government has key roles to play in representing the public interest, being a stimulus to urban innovation, and taking responsibility for delivery of key services (either directly or indirectly through innovative mechanisms such as Build-Own-Transfer).

An effective CDS program needs to address national policy frameworks, both *explicit*, e.g., urban infrastructure grants, and *implicit*, e.g., the effect of changes in tariff structures on key firms in the urban economy. Often assessment of the national urban policy framework will already have been undertaken by other agencies.

It is important that CDS processes address the changing role of urban government under conditions of decentralization, a world wide trend. With devolution of powers, local governments have much more control over, and responsibility for urban futures. Unfortunately, in many developing cities, decentralization has lowered performance because of local capacity constraints, corruption, and increased responsibilities not being matched by adequate resources and often compounded by the unclear assignment of functions. Nonetheless, it is clear that decentralization makes rapid changes in city performance more feasible. At the same time, decentralization will increase variance in city performance within nations – creating winners and losers. *Decentralization makes CDS processes more important, the potential gains from implementing a CDS are much higher in decentralized governance environments.*

CDS processes need to address the question of metropolitan governance. Virtually every large city in the world suffers from inefficiencies and lost opportunities related to fragmented un-coordinated urban governance within metropolitan areas, associated with a proliferation of local governments. There is a long and varied worldwide

experience in regard to metropolitan governance – best practice learning should be used as a filter to identify appropriate metropolitan governance structures in CDS cities.

Building Blocks (Process Methodology):

The methodological sequence to be employed in undertaking a CDS is well understood, and a broad consensus now exists on the appropriate methodology, as described in Figure 6 and Section 7. Several handbooks have been written describing the process, both by Cities Alliance, and outside authors, over the last 25 years. Over time, based on feedback, the process is improving.

Key methodological principles, derived from experience, underlying successful CDS implementation, include the following:

Initiating the Process

There is a need for high-level guidance and co-ordination. If the mayor, or equivalent political figure is not seriously involved in the CDS process, it should be abandoned. The process should be guided by a *Key Stakeholders Group*, or equivalent, that represents key interest groups in the city. Although open access input, e.g., town meetings, radio call-in shows, are useful, collaborative approaches to strategy development require a small, but representative group (the Key Stakeholders Group) for negotiating hard content, and not merely creating “wish lists” designed to please everybody.

CDS processes should not result in creation of new institutions or offices, but be based within a powerful office in the city that oversees a wide spectrum of functions, normally the mayor’s office. However, a CDS process might, as an output of assessment and strategizing, recommend institutional changes in the governance of the city. The initiation process needs to result in agreement on the spatial scale of the analysis (extended urban region, metropolitan region, city proper?) and the breadth of issues to be considered in assessment and strategizing.

In terms of spatial definition, there is an obvious tradeoff between geographic area covered and depth of understanding. Therefore, a scan-scope approach, as described in section 7.3, starting spatially at least as wide as the metropolitan area, is usually very effective.

In terms of breadth of issues to be covered, this is a difficult (the “where do you enter” question). If a city has not undertaken quality CDS work, normally a wide spectrum is best. However, in cities where the opposite is the case, a more focused substantive field of action may be appropriate. In all cases it is essential that the CDS technical team and Key Stakeholders Group address the whole process from an open and innovative stance, always thinking creatively to find newer, better strategic routes and intervention modes for the city to pursue.

Rapid Assessment

The city should be assessed rapidly – with a team led by approximately four leading domestic and international urban analysts, supported by the brightest young urban researchers available in the city. Rapid assessment should have an elapsed time of no more than two months (including follow-up research, report/presentation preparation); actual field time is likely to be no more than three weeks.

Rapid assessment should employ a scan-scope methodology, zeroing in on spatial areas and substantive issues of particular concern. In undertaking rapid assessment it is essential that identification and assessment of change drivers, core to the process, such as demographics, technology, the international economic environment, be undertaken from a futures-oriented perspective. Clusters should be the basis of economic analysis, rather than traditional sectoral analysis, the latter being weak in identifying trends and opportunities, and understanding informal sector and “new” economic activities in technology and high end business, professional, and design clusters. Useful assessment is not dependent on great specificity, more important is that the overall magnitude, direction, and rate of change be understood. Benchmarking is an important component of rapid assessment. Once the analysts understand the city, they should compare its performance with *comparable*, *competitor*, and *aspirational* (cities performing at a level to which the city in question aspires) cities.

Vision Formulation

A *Vision* is a statement of where a city wants to be in the future – usually ten to fifteen years forward. It needs to be specific, internally consistent, and realistic, but challenging. It should stress what is unique about the city. It should be short, no more than sixty words in length, and easy to understand. A *Vision* is important because it aligns stakeholders’ energies so that they work cohesively, facing in the same direction. A *Vision* should not normally be changed over the medium run (10 years), it is like a lighthouse that has a fixed position. However, in today’s fast changing and uncertain world, *tactics* will need to change regularly to ensure that the city achieves the *Vision*. Successful cities are *flexible* and *adaptive* in pursuing their *Visions*, recognizing that traditional planning, especially if rigid, static, or top-down planning can be harmful; many systems in a city are *self-organizing* yielding positive outcomes, if set within appropriate *Visions* and policy frameworks and prompted by strategic thrusts.

Strengths-Weaknesses-Opportunities-Threats (SWOT)

SWOT analysis is undertaken in the context of the *Vision*, not in an open-ended manner. The results of *SWOT* analysis enable a city to build on, and leverage, its strengths and opportunities. Equally important, it enhances a city’s ability to avoid threats and to take actions to minimize them.

Strategic Thrusts

Strategic thrusts are the heart of the CDS. They are sets of cross-cutting interlocking actions, delivered through a variety of modes (e.g., direct investment by government, private public partnerships) almost invariably involving more than one agency. Strategic thrusts are designed to deliver maximum impact in achieving the target, which is directly linked to the Vision, in as cost effective manner as possible. Because no city can focus on too many initiatives at one time, strategic thrusts should normally be limited to no more than five. Each strategic thrust, in turn, will contain several *Actions*. Strategies are based on hypothesized causal relationships between interventions and outcomes, informed by international experience, and the SWOT analysis. Strategic thrust identification is an iterative process. Once strategic thrusts become clearer, e.g., a decision to pursue a convention-based tourism strategy, specialized technical expertise will be needed to better formulate the strategic thrust, especially from a technical perspective. Strategic thrusts always need to be paired with a few powerful indicators, usually one *composite flagship indicator*, and several (under 10) *priority indicators*.

Awareness Building

For a CDS process is to be successful, it needs the support of most of the community, especially key stakeholders. Total consensus will never be achieved, in fact it is a sign of a weak CDS. The most effective *dissemination modes* will vary from city to city, using a mix of media, which may vary from radio to internet sites. Certain media, e.g., newspaper inserts, videos, posters, models, work well across a wide spectrum of cities.

Implementation

A CDS is of no value unless it is implemented. *Implementation Task Forces* need to be established, responsible for each strategic thrust. More detailed *Action Plans* should be formulated by the Implementation Task Forces, clearly indicating which agency is responsible for what, timelines, and milestones; and expected inputs, outputs, and outcomes (results / impacts). Indicators may need to be refined. Very importantly, a sustainable monitoring system needs to be put in place, based on the identified indicators. Most monitoring systems are not sustainable because they have too many indicators or unrealistic indicators, and because money is not allocated to their ongoing operation. Thus it is essential that *sustainable indicator systems* be developed. An important role of the Implementation Task Forces is to identify, assess, and chase sources of finance. To get CDS implementation off to a good start, emphasis should be placed on early implementation of high profile initiatives that have low risk.

What Constitutes a Good Strategy?

Characteristics of effective CDS processes, outputs, and outcomes are:

- (i) The CDS is internally consistent. For example, strategic thrusts follow from the Vision and SWOT.

- (ii) A limited number of strategic thrusts are put forward, the product of tough choices. *Nothing is of equal importance.*
- (iii) The strategy is realistic, but challenging.
- (iv) The strategy has a high probability of producing results, consistent with the Vision.
- (v) *Achievement is measurable*, and is measured, using lean, powerful, results-oriented indicators.
- (vi) Strategic thrusts are cross-cutting, involving a variety of modes and agencies.
- (vii) Responsibility for implementation is clearly defined, against definitive targets and timelines.
- (viii) *Incentives are in place to drive performance.* These can take a variety of forms, e.g., financial, awards, and community recognition.
- (ix) Flexibility exists within the strategic framework to adapt and change tactics as conditions change, but the Vision normally remains constant over the medium run.
- (x) Priorities reflected in budgeting and investment strategies.



CITY DEVELOPMENT STRATEGY GUIDELINES: DRIVING URBAN PERFORMANCE⁶

PART ONE

1. Introduction

The purpose of these guidelines is to improve the usefulness and positive impact of City Development Strategy (CDS) processes supported by the Cities Alliance (CA). City Development Strategies are intended to enhance urban performance on a sustainable basis, measured in terms of: (i) economic growth linked to improved livelihood opportunities, (ii) poverty prevention and alleviation, and (iii) improved environmental and public health status, inclusive of poor and informal urban communities.

The target group for these guidelines is primarily cities in the developing world that are about to undertake a city or city-region strategizing process involving local actors that shape the city, in government, the private sector, and civil society, and their international partners (development agencies, international investors and NGOs).

These guidelines have been developed taking into account:

(i) The considerable bank of experience built up by developing country cities in carrying out CDS funded by the Cities Alliance over the last five years. A wide range of activities supported by Cities Alliance funding has been evaluated. This includes both City Development strategies for specific cities, as well as documents that have assessed experience to date, and/or put forward guidelines, e.g., the recently completed study on a Guidance Framework for design, integration and application of Monitoring & Evaluation into CDS processes⁷ the ADB guidelines on CDS⁸, as well as the evaluations of completed CDS financially supported by the Cities Alliance, which are available on www.citiesalliance.org. At the same time, many cities around the world, developed, transitional, and developing, have produced innovative city development strategies, e.g., Prague, London, Glasgow, Mumbai, outside the Cities Alliance, from which much can be learned. A sample of these strategies was reviewed.

(ii) Much has changed in the external context in which cities operate since the 1990s, particularly related to energy prices,⁹ natural hazard and environmental accident risks, looming global economic imbalances, increased security / terrorism threats, and declines in urban social capital. This increased uncertainty is putting a premium on resiliency, and increasing returns to cities that can handle uncertainty.

⁶ These guidelines were prepared by Douglas Webster and Larissa Muller, in close cooperation with the staff of Cities Alliance. Douglas Webster is Professor of Global Studies at Arizona State University, USA. He can be reached at Douglas.webster@asu.edu. Larissa Muller is Assistant Professor of Planning at the University of Calgary, Canada. She can be reached at lmuller@ucalgary.ca.

⁷ ECON Analysis, *The Impacts of City Development Strategies*, ECON Analysis: Oslo, 2005.

⁸ Asian Development Bank (ADB), *City Development Strategies to Reduce Poverty*, Manila: ADB, 2004.

⁹ For a review of this literature, see: Kunstler, J., *The Long Emergency. Surviving the Converging Catastrophes of the Twenty-First Century*, New York: Atlantic Monthly Press, 2005.

Also see: Roberts, P., *The End of Oil*, Bloomsbury: London, 2004.

(iii) There has been new learning in regard to urban strategizing, most of it the result of networking among cities. Within the academic community, research (and associated output) on the relationship between characteristics of urban strategic processes, and urban performance has been disappointingly limited.¹⁰ This is a serious loss, given the potential value of reflective, objective research on such an important topic.

The nature of these guidelines is not to be prescriptive but to give inspiration regarding how city development/strategizing processes can be done in a better way. The guidelines can be used in part (as modules), depending on the developmental context that a city finds itself in. Further details on concepts presented and examples (ranging from best practice to failures) that could deepen knowledge on different aspects dealt with in the guidelines are to be found on the Cities Alliance homepage: www.citiesalliance.org.

2. The Role of Cities

Urban Regions as Poverty Alleviation Mechanisms

The importance of urban regions in driving economic growth, poverty prevention and alleviation, and energy and natural resource conservation has never been greater. In part, this reflects the fact that the majority of the world's people will be urban by 2007.

The urbanization process will continue at high speed throughout the first half of the 21st Century. The United Nations forecasts that 61% of the world's population will be urban by 2030. (Before 1850, the urban population of the world never exceeded 7%.) Asia is the epicenter of the current urbanization surge in terms of absolute numbers. China will add at least 342 million people to its cities by 2030, India 271 million, and Indonesia 80 million. In Latin America, which is nearing the end of the rural-urban transition "only" 169 million will be added. On the other hand, in Sub-Saharan Africa 395 million people will be added to the cities over the same period, 112% of the current population in the Region, and a larger absolute increment than China will experience.¹¹ Transitional (Eastern) Europe is the only world region where urbanization will be negative, related to overall population decline, urban areas will lose 12 million people by 2030, most of the loss in Russia, creating different urban challenges. In the developed cities of the world, population growth will be slow, with the notable exception of amenity regions in North America, e.g., cities such as Phoenix and Las Vegas in Southwest USA, and cities that attract large flows of international migrants, e.g., Toronto. Cities in Western Europe and Japan will be characterized by relatively stable populations.

The policy implications of the foregoing are obvious. Since most African urbanization to 2030 has yet to occur, productive migration absorption strategies are particularly important. On the other hand, urban growth in Latin American cities will number only 39% of the present urban population, indicating in situ, poverty alleviation strategies should be given more emphasis there. Although the highest absolute national increase will be in China, India and Indonesia are earlier in their rural-urban transition processes. Urban growth in India to 2030 will be 86% of the current urban population, in Indonesia 74%, compared with 64% in China.

The fact that Africa is the poorest continent, but is also the continent earliest in the urbanization process presents enormous city building challenges, but at the same time provides significant economic opportunity. If urbanization is productive, i.e., migrants are productively absorbed, rural-urban migra-

¹⁰ Literature searches by the authors revealed virtually no material, produced over the last five years, on urban strategizing, local economic development, etc., especially related to developing country urban regions.

¹¹ Data Source: United Nations, *World Urbanization Prospects: The 2003 Revision*, New York: Department of Economic and Social Affairs, Population Division, United Nations, 2004 (Table A3).

tion is associated with immediate large jumps in national economic performance, as the urban trajectories of China and North America clearly indicate. Although urbanization rates and absolute increases in urban population will be highest in Africa, it is the world region with the most limited resources to address rapid urbanization, a process that requires high levels of capital investment and technical and managerial talent.

Cities are proven poverty fighters. For example, urban incomes are, on average, four times higher than rural incomes in countries such as Thailand and China, and significant income differentials remain after controlling for higher education levels in cities. Metropolitan areas, and even larger Extended Urban Regions (EURs), which often contain several metropolitan regions, account for enormous income and wealth creation, the capital created can be potentially mobilized to address poverty alleviation. In 2005, emerging economies grew by \$1.6 trillion USD, more than the developed countries. Most of this \$1.6 trillion USD increment accrued to the cities that are the subject of these guidelines. In fact, the economic underperformance of India compared with China (until recently) may be partially explained by India's much lower urbanization level – 28% in India versus 39% in China (41% in 2005).¹² (India has 221 million less urban residents than China.) For example, Sao Paulo, which has 10% of Brazil's population, accounts for 25% of the GDP. In China, by 2020, the three leading coastal EURs (which each contain more than one metropolitan region): the Pearl River Delta (PRD), Lower Yangtze River Delta (LYRD) and the Bohai Bay region, will be home to more than half of China's population, but account for 80% of GDP. Using metropolitan regions as the metric, the 53 metropolitan regions in China anchored by a city larger than 1 million in size are currently home to 370 million people or 29% of the country's population, but account for over 62% of China's non-farm GDP. Johannesburg, Cape Town, and eThekweni (Durban) together account for some 50 per cent of South Africa's gross domestic product (GDP), but represent only 20 per cent of the national population. Lagos produces 60% of Nigeria's non-oil GDP. This urban dominance in economic productivity is often reflected in fiscal performance as well. For example, the Bangkok Metropolitan Region accounts for approximately 53% of public sector revenue in Thailand, but is home to less than 20% of the population.

Of course, official data must be treated with great caution, especially in Sub-Saharan Africa where the informal sector dominates, and is often under-counted in terms of its contribution to livelihood and economic development. Estimates for Africa indicate that the informal economy workforce accounts for an extraordinary 78 per cent of nonagricultural employment, 61 per cent of urban employment, and 93 per cent of all new jobs created. The economic value of under-counted urban employment, much of it informal, was illustrated by recent improvements in Chinese statistics (based on the Economic Census of 2002). As a result of more accurate counting of service activities, primarily urban, the service sector was determined to be 48% larger than previously indicated, accounting for 41% of national outcome, not 32%. Overall, the recount increased China's GDP by 17%, making it the fourth largest economy in the world by the end of 2006. It is likely that similar discrepancies exist in data pertaining to urban economies in other developing urban economies.¹³

How can policy makers maximize the benefits of the urbanization process? How can urban capital be mobilized to support increased livelihood opportunities and higher standards of living for all citizens, not just the most economically successful?

China, with its pro-urbanization policies (*accelerated productive urbanization*) has removed 220 million people from poverty in less than 25 years. (In China, 100 million remain in poverty, including 26.1 farmers in absolute poverty.) Since economic growth is highly correlated with poverty reduction, espe-

¹² Data Source: United Nations, *UN World Urbanization Prospects 2003 Revision*, New York: United Nations, 2004, unless noted otherwise.

¹³ Huang, C., "Revision of GDP Makes China the 6th Largest Economy", *South China Morning Post*, December 21 2006, p. 1.

cially if coupled with pro-poor policy frameworks, the continued economic success of cities bodes well for poverty reduction, and achievement of Millennium Development Goal (MDG) Goal 7, Target 11, the one most relevant to urbanization. (“By 2020, improving substantially the lives of at least 100 million slum dwellers, while providing adequate alternatives to new slum formation”).¹⁴ But achievement of the Goal will be the result of highly skewed global geographic outcomes, with the bulk of progress in Asia. It is clear that Africa, in particular, will need to devise strategies at the local level, supported by national frameworks where possible, to make urbanization a more effective tool of economic development and poverty prevention and alleviation. African cities need to provide ladders to enable residents and migrants to escape poverty. The ability of African cities to become powerful agents of poverty alleviation and economic development is dependent on two main factors: (i) whether a city’s potential to create jobs is liberated or hamstrung by institutions and policy conditions; and (ii), whether city residents have effective access to land and housing, education, health care, and security even if they have erratic incomes, few powerful connections, and unrecognized status in the city. In sub-Saharan Africa, with a few exceptions, cities have not been able to move beyond a limited role as trading, local-serving commercial, and administrative centers, developing neither manufacturing nor high end service economies, which would support poverty alleviation across the continent. In fact, in most sub-Saharan African cities, formal employment is actually decreasing.

Latin America, which is nearing the end of its rural-urban transition, illustrates the dangers of *hyperurbanization*, the potential of urbanization to alleviate poverty has been blunted because meaningful livelihood opportunities (employment creation and opportunities for households to create their own jobs) have not grown rapidly enough.

Although economic growth is virtually always beneficial in reducing and preventing poverty, some types of growth are more pro-poor than others – much East Asian urban growth, in countries such as China, Malaysia, and Thailand has been effective in reducing poverty.

Emerging Challenges

The fact that cities make people richer and prevent and alleviate poverty has a flip side, namely environmental and natural resource challenges. In general, richer societies consume more energy and commodities and generate more waste, although not necessarily more pollutants. (Although they consume less energy and commodities per unit of economic output.) Translated into global dynamics, this hastens the day when many non-renewable commodities and energy sources will become scarce. High urban consumption is not directly associated with urban lifestyles, at the same levels of income people would consume as much or more in rural areas (e.g., rural people at equal levels of income, use more energy for transportation), but is explained by the fact that cities are highly successful in raising household incomes. This relationship between urbanization and resource consumption, particularly products associated with city building (in 2004, China consumed 40% of the world’s cement and 27% of its steel, primarily to build cities¹⁵) has been clear for over a century, given the urbanization experience of developed countries. For example, as the United States’ urban population expanded by 124 million during their urban transition from 1900 to 1970, per capita steel consumption increased 6X. Similarly, as Japan’s urban population increased by 70% between 1950 and 1970, its per capita steel consumption increased eightfold. Goldman Sachs indicates that oil could reach \$105 per barrel in the next few years, essentially fueled by the massive urbanization processes described above.¹⁶ This means that cities will need to function differently. Buildings which are the biggest consumers of

¹⁴ United Nations Millennium Declaration, GA/55/2 of 8 September 2000 (para 19), and United Nations, *Millennium Project - Task Force report on Improving the Lives of Slum Dwellers*, New York: United Nations, 2005, p. 3.

¹⁵ *Economic Census of China, 2002*.

¹⁶ Pesek, W., “Bullish on Commodity Prices? Join the Crowd”, *International Herald Tribune*, October 4, 2005, p. B2.

energy in most developing cities will need to be built differently, and urban form will become even more important, given the close relationship between energy consumption for transportation and urban form. Hopefully, dramatic improvements in energy efficiency of cities will be the result of proactive policies rather than the result of harsh feedback generated by market prices.

The world has consumed half the petroleum available,¹⁷ energy, especially for vehicles, is likely to be in short supply before mid-century because of the expected time gap before alternative fuel systems become available on a massive scale. The result could be slower economic growth, and a slowing of globalization (which is dependent on inexpensive energy). This situation will bring urban environmental and resource consumption issues center stage. Natural hazard risks, especially related to ocean levels and surges – most of the world's largest cities are located along coasts – are becoming real threats to cities. Water supply is a critical issue facing many regions of the world, from urban regions in Sub-Saharan Africa, to northern China, to the Southwest United States. (Semi-arid regions are the most common climatic type on earth.) Thirdly, social disorder and security risk in cities is increasing in many parts of the world, be it from terrorism (London, New York, Manila, Jakarta), insufficient social capital (New Orleans, Paris, Kinshasa) or disputes over urban land, especially the transformation of rural land to urban (China). And infectious diseases, e.g., SARS, Avian Flu, often bred in peri-urban areas where humans and both domesticated and wild animals come in close contact, increasingly threaten the viability of cities. All of the above challenges and risks will present especially strong challenges to African urbanization processes because the continent is so early in rural-urban transition, yet will have to complete the transition under much more trying external conditions than was the case for the developed world, and Latin America, which have essentially completed their rural-urban transitions. In short, the risk environment facing urban regions, despite the enormous potential of cities to generate wealth quickly and prevent and alleviate poverty, is increasingly problematic, meaning environment, energy, social, and security issues will need to play a central role in CDS processes. At the urban scale, *resiliency* is now as important as *competitiveness*.

3. Guidelines Orientation

The goal of these guidelines is to assist different actors to best use City Development Strategies to enable cities to maximize their performance, ultimately measured by the standard of living of residents, especially the poor, resiliency, and competitiveness. Given the tough and increasingly uncertain environment in which cities operate, strategies need to be hard-nosed in achieving targets, utilizing limited financial and human resources in the most effective ways. Financial resources in/to cities are highly elastic, capital responds quickly to opportunities in urban regions with positive business environments. Conversely, capital, whether generated locally, or external in nature, rapidly flees cities where the future is too unclear. Often tough trade-offs are needed; talent and fiscal resources need to be focused for maximum leverage.

The guidelines that follow recognize that City Development Strategy processes supported by the Cities Alliance vary widely in quality and effectiveness (as do urban strategies without Cities Alliance support), and that the nature and characteristics of the CDS process can very much affect the performance of cities.

Key themes to be explored include the following:

(i) Mainstreaming urban poverty alleviation and prevention

To date, urban poverty has been compartmentalized, both in terms of analysis and policies. In particu-

¹⁷ Deffeyes, K., *Hubbert's Peak, The Impending World Oil Shortage*, Princeton: Princeton University Press, 2001.

lar, slums have been targeted as if they are a discrete form of settlement rather than part of a broad spectrum of physical development, highly integrated into urban communities. As the recent groundbreaking book by Neuwirth points out, squatter settlements are a normal part of the urban transition, London, Paris, New York, and Toronto all had large swaths of squatter and slum neighborhoods.¹⁸ Thus slums per se should not be the focus of urban strategy, but rather poverty prevention and alleviation. In fact, in some cities, such as Lagos, Manila, or Mumbai, slums constitute close to half the residential structure of the city containing a wide spectrum of residents from poor to wealthy – to spotlight them as unique or separate makes no sense. On the other hand, because slums are so visible, addressing their problems can be catalytic in terms of overall urban development. Slums can be an extremely effective entry point into the wider, structural issues in a given city, or country – mobilizing a wide spectrum of groups. Furthermore, it is often possible to build widespread consensus in support of slum upgrading. The right of the political spectrum has historically viewed slums as eyesores and inappropriate in modernizing cities (not acknowledging that they are economically critical to the functioning of cities), while the left often associates slums with poverty (to some extent, incorrectly) – thus a wide band in the political spectrum wants to do something about slums. Strategies to improve opportunities for the poor need to recognize that slums cannot be treated separately from the overall development trajectory of the city nor separately from urban land markets, and their development should be consistent with the overall Vision of a city. Such a perception is needed if capital is to be mobilized on a large scale, generating win-win outcomes by releasing the very large amounts of capital that slum dwellers control (directly or indirectly), through mechanisms such as land readjustment, enabling the poor to enter the urban mainstream. Such principles underlay Rio’s Favela Bairro program.

(ii) Preventing Potential Urban Poverty

Over 1.8 billion people will be added to the world’s cities by 2030. Over 93% of this increment (1.7 billion people) will be in developing urban regions. (The current [2005] urban population of the world is 3.2 billion, of which .9 billion live in developed countries, the developing world’s urban population will grow 75% by 2030.) This dynamic, combined with the fact that large increases in urban population will occur in very poor countries, particularly in Sub-Saharan Africa and South Asia, means that preventing urban poverty (separate from addressing in situ urban poverty) will need to be a leading policy priority in developing countries over the next 25 years. Poor, but highly economically motivated and relatively well-educated (compared with educational attainment norms in their source regions) migrants need to be absorbed productively so that they do not add to the stock of poverty with urban areas. Otherwise, the urban poverty alleviation task becomes overwhelming. This means that migrants need access to finance to purchase housing with affordable access to employment (no longer necessarily in central [CBD] areas given the ongoing shift to more multi-nodal urban form in most cities), basic services (e.g., water), appropriate training, and quality relevant education for children to enable inter-generational mobility, plus access to micro finance, particularly for small business creation. Enabling mobility, both from rural-urban areas, but also from regions with poor opportunities (e.g., in Northeast China) to those with greater opportunities (e.g., in coastal and amenity regions in China), can do much to alleviate poverty, while at the same time greatly improving national economic efficiency. (In some cases, such flows will be cross-border, e.g., Singapore, Riau, Indonesia, Johor, Malaysia.)

Since poverty prevention is less expensive than in situ poverty alleviation, poverty prevention strategies should be a key element in CDS – very high returns on investment are possible. For example, migrants are young and thus training is relatively easy to effect and cost-effective, and less expensive land on the periphery of cities can be made accessible to the poor.

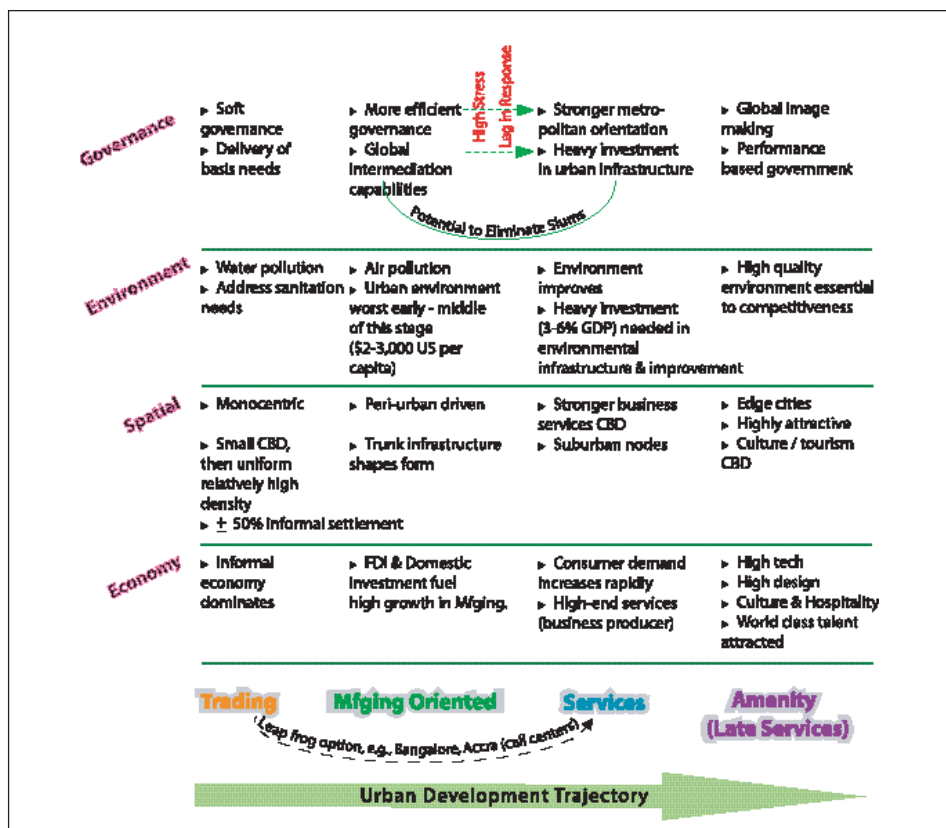
(iii) Environmental Quality, Public Health, and Energy Efficiency will increasingly matter

¹⁸ Neuwirth, R. *Shadow Cities: A Billion Squatters, A New Urban World*, London: Routledge, 2005.

Given the changed environment in which cities will develop and function, environmental, energy, and public health performance will become increasingly important - such considerations need to be integral to the CDS process, driving strategy. For example, to date, urban form has been largely the product of market forces, and to a lesser extent, planning frameworks. That is, it is the product of urban economic function, motorization, land markets, and access to finance for city building (particularly residential). In the future, planning & policy frameworks will need to be cognizant of, and incorporate, market signals to generate more efficient urban form outcomes.

Similarly, in most CDS processes, environment and energy considerations have been an “add on”, e.g., programming water supply and wastewater systems according to conventional civil engineering standards, utilizing conventional technologies, to supply urban communities where ever they evolve, accepting the energy demands of spread settlement, allowing buildings to be constructed with scant attention being paid to their energy performance. Now, energy considerations need to be reflected in spatial form and building design, driven by appropriate policy frameworks, supported by strong political will. (Buildings consume more energy than transportation in cities – and thus should be an important point of focus.¹⁹) Environmental quality, including effective and sustainable delivery of environmental services is important at all points along the urbanization trajectory (see Figure 1), delivering economic benefits from improved health of the population in poorer cities through delivery of basic services at one end of the urbanization trajectory, to attraction of talent, investment, and high value economic activities in cities further along the urban development trajectory.

Figure 1: Stylized Urban Development Trajectory



¹⁹ Fry, M., "Built to Last", *Arizona State University Research*, Tempe, USA, Spring 2005, pp. 7-8. Green and sustainable development rating systems are being developed, such as the Leadership in Energy and Environmental Design (LEED) system developed by the US Green Building Council (USGBC).

(iv) Address Causes, Not Symptoms of Poverty

Making cities look good and function well is important, but not enough in terms of providing real opportunity for less advantaged peoples. The focus of policies, and scarce investment needs to be on facilitating underlying changes that will significantly reduce inter-generational poverty, primarily initiatives in education, health, and livelihood (jobs, business creation). Inter-generational thinking is particularly important in very poor cities. Turning a city around takes 10 – 20 years, the latter corresponding to one human generation. The Tunis CDS process failed to gain the support of the business community, thus it failed to leverage probably the most important agent of poverty alleviation, the business community, which is instrumental in employment creation, see Box 1 below.

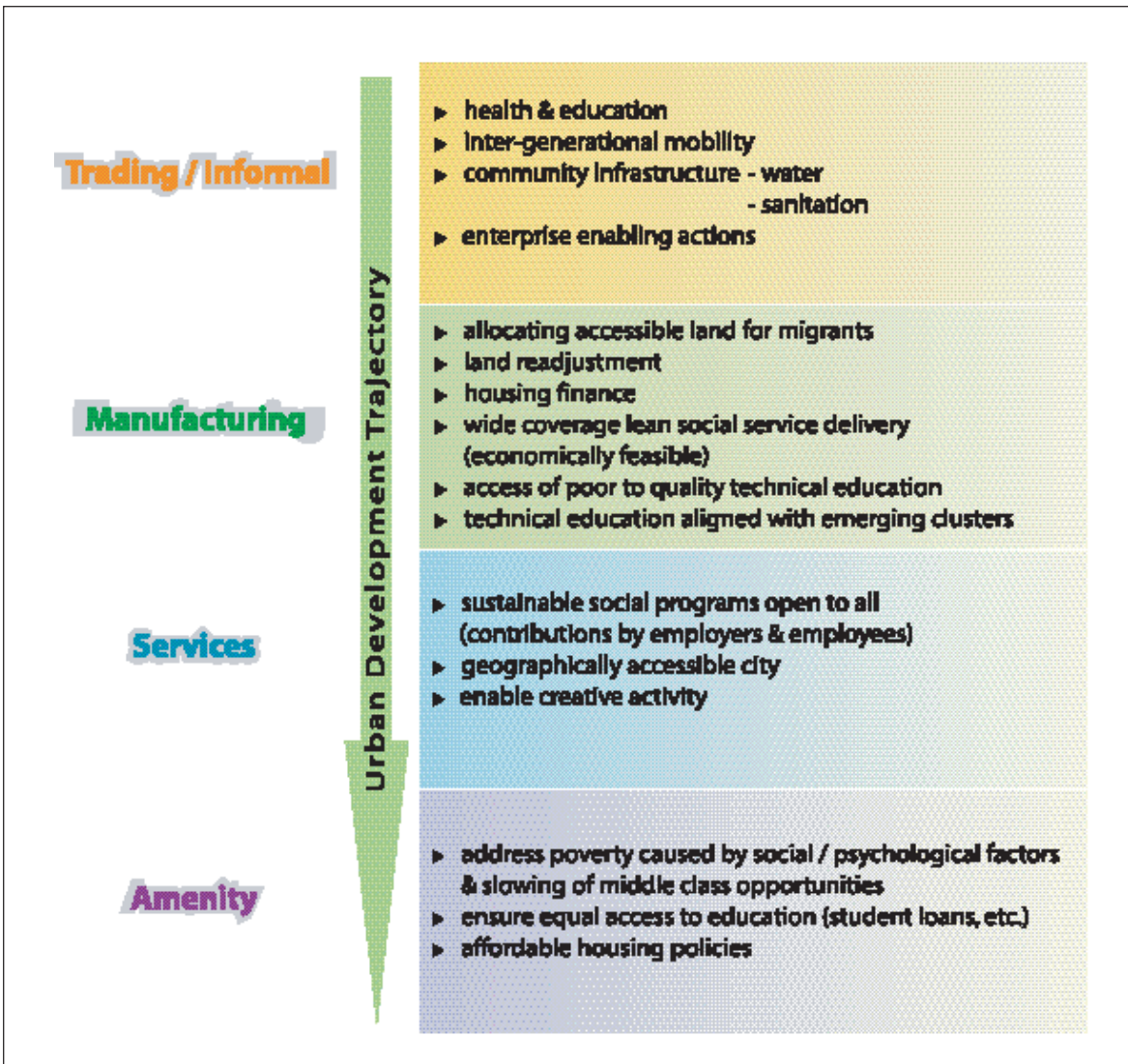
Box 1: Missed Opportunities in Tunis

Tunis is in an enviable situation. It has the largest concentration of businesses in the country (its economic weight is 2.5 times its share of population), one out of five workers has a university education, and only 4% of its households are officially below the poverty line. Yet a quarter of Tunis' population live in informal settlements, and nearly a third work in the informal sector. The government was already spearheading several poverty redistribution programs (in actuality, slum upgrading) when the city began its CDS process. These programs were subsequently incorporated into a city Vision and development strategy. The latter was outlined in the "White Book", a publication for public dissemination and validation. To some extent, the White Book has successfully galvanized several stakeholder groups to organize activities around central strategic concepts. For example, it gave rise to the "Re-appropriate the City" movement by women's groups, to make coffeehouses and other locations in the city safe for women in the evening. But the strategy formulation missed key opportunities to capitalize on the city's strengths. Most notably, the business community felt that the White Book lacked targeted strategies for economic development, and lost interest. Their disengagement severely limits the ability of the city government to catalyze and leverage private investment in its attempt to orient development along new directions. It's a lost opportunity to make significant lasting changes to improve employment and housing prospects and incomes of its current and future residents – including those lacking economic opportunities in the rural areas, who continue to migrate to the capital and into these informal settlements.

Source: UN-Habitat/UMP. "Tunis, Tunisia: City Development Strategy Study" (Tunis CDS Report), in CDS Lessons from UN-Habitat/UMP [CD-ROM], May 2002.

The focus of these guidelines is on city development strategy processes in developing cities. But characteristics of developing cities differ from developed cities, as indicated by Figure 1, and as such require different types of strategic responses, as indicated by Figure 2. Furthermore, the range of conditions in developing country cities vary enormously, encompassing most of the world's cities, from very poor cities in inland sub-Saharan Africa, typified by Bamako, through transitional economy cities such as Prague and Sophia, to soon-to-be-rich cities such as Chengdu, China.

Figure 2: Strategic Focus: Pro-Poor Development



City development strategies are also employed by first world cities to enhance their competitiveness, livability, etc., and frequently to correct reversals in fortune, as indicated by the Glasgow case (see Box 2). In fact, first world cities have a much longer history of deploying strategic planning to achieve community goals. This may partially account for the generally higher technical quality of strategic plans being produced by developed cities compared with output to date by CDS cities. Although the substantive content of city development strategies will obviously vary widely between developed and developing cities, there is no inherent reason why the technical quality of such processes and products should vary, given the access of all world cities to funding, comparative urban experiences, and knowledge resources such as consultants, universities, and international organizations. By the late 1980s, the methodology was highly developed, and many cities had implemented city development strategies, often with considerable success, as summarized by Bryson and Einsweiler, and Kemp.²⁰

²⁰ Bryson, J., and R. Einsweiler, *Strategic Planning: Threats and Opportunities for Planners*, Chicago: Planners Press, American Planning Association, 1988.

Kemp, R.L., *Strategic Planning in Local Government: A Casebook*, Chicago: Planners Press, American Planning Association, 1992.

Bryson, J., *Strategic Management: In Public and Voluntary Services: A Reader*, Amsterdam and New York: Pergamon, 1999.

Box 2: Glasgow Reinvents Itself as a Cultural Center

When Glasgow's traditional industries, particularly shipbuilding, fell into permanent decline, a casualty of a new global division of labor that favored other locations, this former economic powerhouse had to reinvent itself. With factories closing and unemployment levels soaring, the district council set about recasting Glasgow's image from a polluted, rust belt industrial city, into a cultural city, with a focus on the arts, media industries, and business services. They were following the lead of local community groups, who started an arts festival and opened a new museum, the Burrell Art Collection, in 1983. When the Scottish Development Committee hired McKinsey & Co, an international consulting firm, to prepare a redevelopment plan for the city, they proposed building on these initiatives to promote Glasgow as a cultural centre. The plan called for attracting international companies, encouraging creativity among city residents, and re-invigorating the city centre by converting old warehouses and factories into lofts and building new luxury housing in the docklands.ⁱ These efforts resulted in an economic renaissance for the city of Glasgow. To sustain Glasgow's success, the Glasgow Economic Forum, a public-private partnership of economic stakeholders, prepared an economic strategy for 2003-2005.ⁱⁱ The strategy builds on existing strengths to sustain growth and improve international competitiveness. It calls for redeveloping Kelvingrove Art Gallery and Museum, creating new visitor areas, such as Merchant City, and developing quality business locations along the River Clyde, Glasgow's key territorial asset according to OECD. Riverside development projects include the Digital Media Campus, the International Financial Services District, and the Glasgow Harbor Project. The development of City Science will position Glasgow as the largest science and technology centre in Scotland for business and research development. Another key objective of the city's economic strategy is to improve the link between the unemployed Glasgow residents and opportunities in job rich and growth sectors. The strategy calls for improving and creating innovative training/retraining and employment linkage programs, and enhancing transportation connectivity between disadvantaged neighborhoods and key centers of employment. Finally, recognizing the need to compete in the place market, Glasgow continues to strengthen its brand recognition with a new City Marketing Plan, and is working on increasing the number of direct and indirect international air services from Glasgow airport.

ⁱ Sources: UN-Habitat. *The State of the World's Cities 2004/2005*. Earthscan: London, Sterling VA. 2004. OECD, *Urban Renaissance: Glasgow: Lessons for Innovation and Implementation*, Paris: OECD, 2002

ⁱⁱ Glasgow Economic Forum. *Glasgow's continuing prosperity: A joint economic strategy for Glasgow 2003-2005*. March 2003.

The Cities Alliance is the most important resource supporting city development strategy processes in developing cities. However, increasingly other groups are involved in city development processes, particularly in middle income and transition cities. For example, the Shui On Corporation, based in Hong Kong and Shanghai, undertakes complete city development strategies in partnership with Municipal Governments and key stakeholders before undertaking property development in Chinese cities.²¹ Consortia in Europe, including the European Union (EU), support city development strategies in that region, especially in transitional cities such as Prague. Last, but not least, public agencies within cities (such as economic development agencies) and public-private consortia (such as Innovation Councils) often undertake city development strategy processes without external support or funding.

²¹ To date, Shui On Corporation has undertaken city development strategies for Chongqing, Chengdu, Wuhan, Xi'an, Kunming, Xiamen, Fuzhou, and Chengdu.

Although more common in developed cities, it is an increasing trend in developing cities as well. For example, in the case of Mumbai, the *Mumbai First* development strategy was initiated by a citizen's consortium, led by the business community.

These Guidelines is based on lessons learned from a variety of processes, including those supported by the Cities Alliance,²² locally driven ones, and those supported by other international bodies or private corporations. In some cases, Cities Alliance activities have inspired city development strategy efforts not officially supported by the Cities Alliance.

4. The Role of City Strategies

City Development Strategies do matter. Increasing evidence indicates that urban performance is based not on maintaining existing roles, economic structures, and the institutional status quo, but on *adaptability*. Almost all cities will be shocked by 2050, especially by external forces. The success of a city is largely determined by how it responds to shocks generated by rapid changes in its external and internal environments. This quality is known as *resilience*, and it will become even more important in the future. For example, Bangkok lost much of its comparative advantage as the factory of Southeast Asia in the 1997 financial crisis, its economic output (in US dollars) was more than halved in one month, but it has repositioned itself to become a higher value economy than it was before, based on high end services such as advertising, medical services, spas, etc. During the transition in Bangkok, poverty rates were kept much lower than forecast because households adapted supporting less successful family members, taking advantage of deep social capital.²³ On the other hand, other cities that have been shocked, have never recovered. And some cities, such as Manila, forecast in the early post World War II period to be economic leaders, have instead been trapped in vicious circles. The evidence is clear, cities can and do suffer major reversals in fortune, both positive and negative, with turn-arounds and break-downs generally taking 10-20 years. Evidence indicates that performance turn-arounds are frequently associated with a clear strategy, e.g., Shanghai, Singapore, Curitiba.

The role of CDS processes is to *shock* urban systems under controlled conditions, causing stakeholders to assess their situation in a truly objective manner, then deploy a very limited number of actions with strategic intent to enable the city to dramatically change its performance. The *Mumbai First* case, discussed in Box 4, is an excellent example of a bold, shock inducing strategy. A good strategy is a prerequisite to performance change, but implementation is what ultimately counts. Successful CDS processes are almost always characterized by key stakeholders acting with intent, chasing the same Vision, within a framework of effective policies. The process works best when outsiders are included in the assessment of the city's situation, and subsequent strategizing. Cities need to learn from other cities, particularly cities that are in similar circumstances, or are subject to the same types of shocks. This learning needs to include not just "best practices", but also include cases in which events did not go according to plan. Perceptive outsiders often can see the reality of a city more clearly, unencumbered by vested interests, both in developing, and developed, cities. Strategies that are dominantly internally driven, ignoring outside forces and learning, are generally ineffective.

It is unanimously agreed that city development strategies should not be comprehensive plans, but rather should identify a few strategic thrusts (usually five - seven). The purpose of these thrusts is to lever the system, through a variety of mechanisms including: (i) changes to national and sub-national (e.g., metropolitan, municipal) policy frameworks, (ii) public and private investment, including through

²² Between 2000 and 2005, the Cities Alliance supported CDS processes in approximately 140 cities, contributing \$22.5 million USD.

²³ Webster, D., "Bangkok: Evolution and Adaptation Under Stress", in Gugler, J., *World Cities Beyond the West: Globalization, Development and Inequality*, Cambridge: Cambridge University Press, 2004 (Chapter 3).

The World Bank forecast the Thai poverty rate would rise to 18% as a result of the 1997 financial crisis from 11.9% pre-crisis (1996); it peaked at 15.9%.

innovative finance mechanisms, (iii) demonstration and ripple effects from catalytic projects and programs, and (iv) public-private initiatives.

City development strategies are not public sector programs or documents, unlike local government physical plans or long-term budgets. Rather, City Development Strategies are civic or public processes, in which the local government plays an important enabling role. The city authority in Karu, Nigeria found that a consortium of local informal businesses had the potential to organize itself and play a leading role in driving the city's development, given that their economic activities constituted a substantial part of the city GDP in a city dominated by the informal sector, (see Box 3).

Box 3: Improving linkages between government and informal businesses in Karu, Nigeria

Like most African cities, the economy of Karu, a fast growing satellite town on the outskirts of the capital of Nigeria, Abuja, is dominated by the informal sector. So when Karu wanted to formulate a local economic development strategy that would reduce poverty and maximize economic growth, it focused on establishing a participatory framework that would enhance the interaction between state and local governments and informal businesses. The result was the establishment of the “Business and Economic Development Committee”, a consortium of local Karu businesses. As the CDS moves into implementation, the consortium continues to serve as a crucial link for information exchange and feedback, priority setting, economic strategy development, resources, and joint action within the business community, and between this community and the government.

Source: City Alliance Annual Report 2003, p. 14

Local governments are important as catalyzers, representatives of the public interest, and for their ability to address market gaps and failures. However, the official budgets of cities, anywhere in the world, are miniscule compared with the total financial resources available that a city's stakeholders can catalyze. For example, expenditure by the Bangkok city government (the Bangkok Metropolitan Administration) account for less than 1% of urban investment. However, the city administration and budget can be vital in acting as a signal of intent and commitment, thereby acting as a powerful factor in investment decisions. For example, in the Bangkok case, the BMA was able to catalyze the process, attracting investors to develop the 23 kilometer elevated heavy rail (BTS) system on a Build-Own-Transfer (BOT) basis. The system has completely transformed the city over the last five years. Similarly, talent and knowledge in regard to urban innovation is widely distributed within urban systems, with local governments employing only a small percentage of such talent. Key strategies identified through CDS processes may or may not be actions that local government can or should undertake, but almost invariably local governments need to play a catalytic role in making the project happen, e.g., organizing innovative finance, providing signals to the private sector, etc.

Even if rejected by large segments of the community, a City Development Strategy, such as the *Mumbai First* strategy, may lead to action – catalyzing alternative responses, (see Box 4).

Box 4: Mumbai's Bold Transformation Plan

The redevelopment plan for the city of Mumbai is bold. Its goal is to transform Mumbai into a world class city by 2013, equaling or surpassing Shanghai. A core principle of the strategy is that incremental change doesn't work – reform comes in leaps. The Government of Maharashtra's plan builds on a report by McKinsey & Company on the future of Mumbai, originally commissioned by the citizen's group *Bombay First*, who were frustrated with urban development in one of Asia's most dysfunctional cities. That report called for a \$40 billion USD ten-year redevelopment plan for Mumbai, including a \$1.2 billion USD plan to redevelop Dhavari, a slum community with the unenviable reputation of being among the largest in Asia. Covering an area of 220 hectares, and home to approximately 1,000,000 residents, Dhavari is also one of the most entrepreneurial communities in India. Hundreds of micro-factories operate within the slum, generating \$500 million in annual sales of pottery, leather, jewelry, and much more. Ideally situated near the international airport and the new Bandra-Kurla business district, it also attracts white collar workers who choose to live here among the rural migrant manufacturing workers, to be closer to their place of employment, and avoid the horrendous daily commutes endemic to this highly congested city. The redevelopment of such a large and prime location, in a city strapped for land, is an important keystone in the planned transformation of Mumbai. It is intended to be an achievable "fast win" to catalyze a positive cycle of change, and "transform the texture of life" in this city.¹ The redevelopment plan calls for private developers and investors to build new upscale business and residential areas, with land set aside for low-income affordable housing for displaced Dhavari residents, as part of the land readjustment scheme.

To realize the transformation plan, the Government of Maharashtra formed a Citizen's Action Group comprised of citizens from academia, the private sector, as well as the slums, and approached international agencies including USAID, World Bank, and Cities Alliance for financial and technical assistance. But bold moves invite controversy. Already highly contested, the development became especially controversial following the decision of the Government of Maharashtra to undertake a slum demolition program in 2005 in which 30,000 post-1995 homes were destroyed. The evictions were halted due to strong public outcry, but not before it had severely jeopardized the support of a range of local and international actors, and damaged Mumbai's international reputation for flexible, pro-poor development.

As the transformation initiatives go forward, some slum residents remain skeptical about the government's intentions and are calling for more incremental approaches, while others remain hopeful that the project will bring about a better quality of life for themselves and for Mumbaikars as a whole.

¹ Government of Maharashtra. *Transforming Mumbai into a World Class City*. First Report of the Chief Minister's Task Force. February 2004.

Sources: *The Economist* "Inside the Slums", Jan 27, 2005; Stewart, S., "Slum Inc.", *Globe & Mail*, Oct 1, 2005 p.F4; *Cities Alliance Annual Report 2005*, pp.36-37, Sharma, K., *Rediscovering Dhavari: Stories from Asia's Largest Slum*, New Delhi: Penguin Books India, 2002.

Why Undertake a City Development Strategy Process?

Why should a city undertake a city development process? Why not allow the market and day-to-day bureaucratic forces determine the fate of a city?

The advantage of a strategy is that:

- It encourages stakeholders to invest and behave in the context of a Vision, effectively pulling in one direction - getting priorities right is crucial to success.
- It enables resources to be cost-effectively targeted to a few key strategic areas.
- It enables a city to anticipate future shocks and rapidly changing contexts (the risk environment), raising understanding of how stakeholders should respond under different scenarios.
- It enables a city to anticipate the rate, type, and physical direction of growth, thereby developing infrastructure ahead of growth.

Given the potential benefits, some countries have institutionalized CDS concepts nationwide. The best example of this is South Africa where all cities are now required to produce a strategic plan, based on the success of CDS in larger cities, such as Johannesburg (see Box 8). Box 5 (below) describes how CDS principles are being used to guide strategic planning in urban areas throughout South Africa.

Box 5: Mainstreaming CDS in South Africa with the help of the Cities Network

The Department of Provincial and Local Governments (DPLG) in South Africa has recently announced that all 5-year Integrated Development Plans (IDP) must include a long term strategy component. Accordingly, by the end of 2006, all 284 South African local governments will need to develop a version of a CDS. Several of the larger cities already have a CDS, including Johannesburg, with a model CDS, Tshwane, which is expanding the scope of its CDS in a groundbreaking way with a new citywide housing and upgrading strategy and financing plan; eThekweni and Cape Town, and Ekurhuleni and Buffalo City, which are in the process of finalizing and tendering a CDS respectively. But the vast majority of South Africa local governments have yet to put effective city development strategies in place. Few of the IDP action plans are derived from a long-term perspective involving collective visioning and strategic planning. At a recent national workshop to evaluate the impact of integrated development planning, mayors and city managers of South African cities identified a need for economic growth strategies based on competitive advantages, plus outcomes based planning, monitoring, and spatial development frameworks, to coordinate public sector spending and other development efforts. Despite a rapid expansion of services, the cities see a need for more effective mechanisms – strategic actions that focus on few points of leverage for maximum impacts

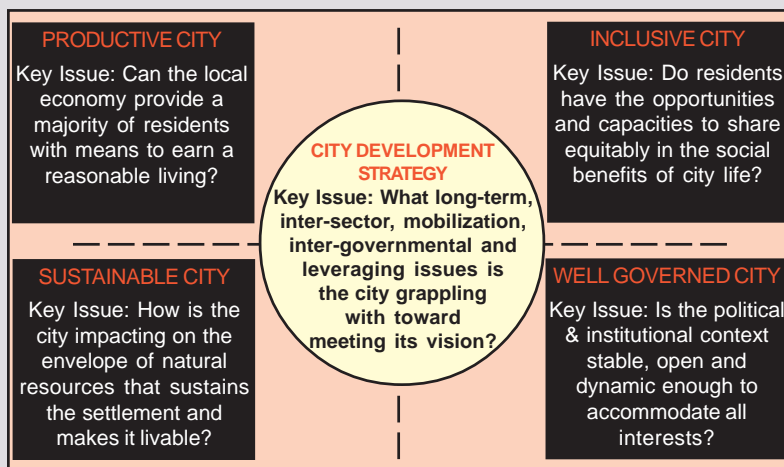
– to tackle the major issues that are affecting the overall quality of life in South African cities, such as unemployment, crime, poverty and HIV/AIDS. Many of these concerns can be addressed within a CDS.

To facilitate the process, the South African Cities Network (SACN), an organization with a mandate to collect, analyse and disseminate experiences of large city governments in South Africa has developed a programmatic framework to assist cities in the CDS formulation process, (see inset). Using the framework, cities are able to formulate strategies based on a long-term view that promote inter-governmental and inter-sectoral approaches to planning, focus on points of leverage, and mobilize city partners. The city analysis framework has received overwhelming support among public, social and private sector stakeholders in member cities. It is regarded as an essential instrument of analysis that, in allowing all stakeholders to participate in a critical analysis process, draws on the distributed knowledge in society to develop a city strategy, while enhancing networking among city stakeholders.

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Source: SACN. *South African Cities Network Annual Report 2004*, pp. 1-7. [Http://www.sacities.net](http://www.sacities.net)

SACN Framework for Analysis of City Performance



Cities do have a choice in terms of their future development direction and outcomes, albeit circumscribed. Their path of development is by no means pre-determined. As a general principle, a CDS is a “trend breaker”; it is designed to motivate key city decision-makers and stakeholders to think and operate differently; otherwise cities do not change. Strategies should be designed for high leverage, deployed where the highest developmental leverage can be achieved.

The prime motivation behind instigation of city development strategies is an awareness among stakeholders that the present situation is unsatisfactory. In many cases, cities have experienced drastic reversals in their fortune. For example, conditions in most Sub-Saharan cities are judged unsatisfactory, and are often inferior to conditions in the past, e.g., Nairobi, Harare, Lagos. This is equally true in many first world cities, e.g., Glasgow was the second most important industrial city in the British Empire in Victorian Britain but degenerated to the point that it became dysfunctional, many areas derelict. It is massively reversing its fortunes through a strategic plan to reinvent itself as a cultural and scientific centre, described in Box 2. Shanghai is a similar case. Along with Tokyo, the leading city of East Asia in the early decades of the twentieth century, it was in a state of disrepair and economic malaise in the early 1980s. Subsequently the national government declared it the “Gateway to China”; now locally driven strategic initiatives are restoring the city to its former glory, e.g., the Pudong new Central Business District (CBD) project was initiated in 1992. Shanghai is re-emerging as the dominant city of East Asia. Penang, Malaysia is another city that successfully remade itself by employing a well-thought out strategy that responded quickly to a global need. In the 1970s, it turned itself into one of the most important electronic centers in Asia, riding the incipient electronics boom at that time. See Box 6.

Box 6: An Aggressive Strategy Pays Off in Penang, Malaysia

The story of how Penang became one of Asia’s major electronics manufacturing hubs offers many valuable lessons for urban strategists. Penang, the second smallest state in Malaysia, prospered as a free port under British rule and in the early independence period, but suffered economically when its free port status was revoked in 1969 by the Federal Government. To reinvigorate the island’s economy and address growing unemployment, Penang State, under the visionary leadership of Tun Dr. Lim, adopted an export-oriented industrialization policy, which was considered radical at the time - import substitution was in vogue. The cornerstone of the strategy was the creation of a Free Trade Zone (FTZ) at Banyan Lepas, outside of the island’s main city of Georgetown. By creating an enclave whose legal jurisdiction fell outside of the customs and other federal administrative domains, the state was able to bypass many inefficiencies in the Malaysian system, while offering investors attractive export incentives. The first major international firms to locate there, in 1972, were National Semiconductor (NS) and Hewlett Packard (HP), two leading American semiconductor firms; others soon followed. Within a year of NS and HP arriving, the electronics and electrical equipment industries were responsible for one-fifth of all manufacturing jobs in the State and accounted for 28 percent of Penang’s manufacturing value-added.ⁱ

The main driver of Penang’s economic development was public-investment. The State Government invested in essential supportive industrial infrastructure ahead of demand, to guide and promote economic development and shape desirable spatial outcomes. Early public sector investment focused on constructing the FTZ – developing the land and facilities, and providing roads and utilities – well before securing the first investor. The State Government forecast future land needs, and banked sufficient land next to the FTZ to be able to expand the zone and keep the industry spatially clustered, which served to promote interaction among firms and support a close-knit business community. Cargo facilities at the airport were expanded before they reached capacity. As employment grew and attracted a large number of migrants from other states, the State Government created a new town to relieve pressure on the main city, Georgetown. Situated next to the

FTZ, the new town was able to leverage the extensive infrastructure investment that had been put in place to service the industrial base, and to subsidize the costs of production (e.g., through affordable worker housing). Although the population of Penang Island was only 778,000 people at the time, infrastructure was built to accommodate the 2020 forecast population of 2.5 million.

In order to execute the Vision, the state set up the Penang Development Corporation (PDC) as semi-autonomous entity. Staffed with top talent, and given considerable autonomy, the PDC became a highly respected and valued partner to the global electronics industry, responding flexibly, quickly and effectively to the shifting needs of investors in this rapidly changing industry. By holding regular meetings with top industry leaders, PDC officials not only ensured good lines of communication and a forum for joint problem solving, but contributed to the creation of strong industry networks that increased knowledge spillovers and innovation. Among its many supporting roles, PDC helped to pair local suppliers with major investors. When local universities, which fell under federal mandate, were not responding to the severe skill shortages that were hindering industry expansion, a joint council of PDC and the major manufacturing firms established the Penang Skills Development Center (PSDC) in 1989. Its unique organizational structure, with industry directly involved and holding the chair position in the Center, ensures that courses at PSDC are demand driven to meet the evolving needs of the industry. A much-emulated best practice, the PSDC has helped Penang to move up the electronic industry value ladder, and stay competitive, by continually enhancing the pool of qualified human resources.

As more of the labor intensive electronic assembly production relocates to emerging low-cost locales in the region, especially China, Penang has shifted into higher value activities, including wafer production, and design and prototyping of products and production processes, thereby retaining its prominence as an electronics manufacturing hub of Asia.

ⁱ See Haggard, Stephen, Lim Pao Li, and Ong, Anna. 1998. *The Hard Disk Drive Industry in the Northern Region of Malaysia*. Report 98-04. The Information Storage Industry Center, University of California, La Jolla, CA, p. 22.

Source: Muller, L. and A. Saxenian, American Tech Investment in Southeast Asia: Drivers, Impacts and Policy Implications, (Final Project Report), Berkeley: University of California, Berkeley, 2005.

In other cases, cities are performing reasonably well, but want to reposition themselves to excel, to take full advantage of their potential. Examples would include Curitiba, Brazil, which is well known for the excellence in urban management, Chengdu, China which is becoming the dominant high-end financial services and electronics (Motorola, INTEL) center in western China, and Las Vegas USA, which constantly repositions itself to reinforce its role as the entertainment capital of the world.

5. Approach

These guidelines are organized around both themes (substance) and building blocks (methodology). The objective is to put forward guidelines that have worldwide applicability in the development of CDS, to enable cities to reposition themselves. This is a tall order, because, as noted, developing country cities vary widely in characteristics (economic systems, culture) and resources (financial, knowledge, governance capacity). Therefore, what follows in Sections 6 and 7 is necessarily generalized.

Section 6 discusses the substantive focus of the CDS. Although each city's strategy will have different detailed content, experience has shown that virtually all successful cities deal, albeit in very different ways with: 1. Livelihood Enhancement (making a living [job, starting a business], competitiveness, human resource development), 2. Environmental Quality, Service Delivery, and Energy Efficiency, 3. Spatial Form and Infrastructure (supplying land for shelter and livelihood, enabling transaction rich environments, optimizing mobility through cost-efficient and environmentally sound transport systems), 4. Financial Resources, and 5. Governance. The perspective from which a city will assess the above, and the issues and information that it will prioritize, will depend much on that city's position and context. Important variables in this regard include: (i) position on the development trajectory (some cities are primarily informal economies such as Maputo, some are just entering large-scale industrialization such as Ho Chi Minh City, others are becoming high end service-oriented economies such as Hyderabad), (ii) geographic context (e.g., some are land locked, others are coastal, some have highly attractive settings, others lack natural amenity), (iii) culture, (iv) governance system, and (v) openness to globalization.

The building blocks (methodology), described in Section 7 below, sequentially outline the technical steps associated with successful CDS processes – the approach put forward has been refined through worldwide experience. Guidelines are put forward for each stage that experience has shown underlay successful strategic city development processes.

6. Themes (Substance)

The following themes are useful in structuring CDS identification of issues and assessment. Appendices 1-5 are menus of specific elements that should be explored for each of the themes discussed below. Cities at different places on the urban trajectory should focus on different elements outlined in the menus. While these thematic categories are central to the assessment, strategic thrusts (as discussed in Section 7.6), will normally cut across more than one theme.

6.1 Livelihood (*Jobs, Business Start-ups and Household Income*)

The bottom line of virtually every CDS is to improve livelihood opportunities for the city's population. For the adult population (labor force), livelihood is normally accessed by employment (i.e., working for a company or someone else) or through creation of one's own work, e.g., starting a business, or providing services as an individual. Employment and business creation opportunities exist in both the formal or informal sectors. CARE has developed a household livelihood security approach (HSL) as the basis of its work, useful in understanding livelihood issues.²⁴ (See Appendix 6.)

²⁴ Sanderson, D., Urban Livelihoods, Shocks and Stresses, in Zetter, R. and R. White, *Planning in Cities: Sustainability and Growth in the Developing World*, London: ITDG, 2002 (Chapter 8).

Unless incomes of lower income households can be increased, it is difficult to sustainably reduce poverty. Widespread increases in incomes of low income households requires economic growth; growth is good, if not essential for the poor.²⁵ And unless the value of urban output can be increased, it is very difficult to generate the fiscal resources needed for public facilities that, in turn, will improve the health and knowledge levels of local people and attract private investment, creating a virtuous circle.

City development strategies need to assess and consider issues, and formulate strategies in three areas directly related to improving the livelihood enhancing environment: (i) the business climate and enabling policies for small business creation, (ii) urban competitiveness, and (iii) human resource development.

Appendix 1 puts forward a menu of issue areas related to livelihood enhancement. Relevant menu items, and policies, will vary widely depending on a city's position on the urban trajectory. In the poorest of cities, policies should focus on basic literacy, enabling informal businesses to start-up with a minimum of hassles, and creating supportive, non-nuisance environments for existing businesses to become more efficient and grow. Businesses with potential to export, to other parts of the nation, and internationally should be provided access to information and support to enable these products to be marketed internationally. At the other end of the developing city trajectory, in middle-income cities, policies will be quite different, e.g., they may involve support to Research and Development (R&D), attracting high-end talent, deepening of economic clusters, etc.

(i) Business Climate. Business climates vary widely among urban areas. Cities with more attractive business climates are much more likely to attract investments. (The World Bank has recently published the results of global assessment of business climates, of considerable value in formulating a CDS.²⁶)

Enabling policies for small business creation and growth are important in cities worldwide, but their content needs to vary depending on the city's position on the urban development trajectory. In poorer cities, e.g., Jakarta or Nairobi, it is obvious that the formal sector cannot create enough jobs to meet the employment needs of labor force entrants and migrants, yet alone address employment backlogs. Therefore, in such cities, many, if not most, people will have to create their own jobs. If not, social instability is almost guaranteed, as well as economic performance far below potential. Local governments can do much to help organize and strengthen small businesses and, especially, the informal sector. In Karu, Nigeria, the local government helped to organize the informal sector into a business network (see Box 3). In the case of Santo Andre, Brazil, the regional development plan called for development focused on the service sector, which was dominated by small and informal enterprises. Because there was no data on this sector, a CDS was initiated to collect data and develop a strategy to enable the tertiary sector to drive development, (see Box 7). Local governments and third sector organizations can assist people in creating their own small businesses, through training, minimization of nuisance taxation, support to small business licensing, etc.

²⁵ Dollar, D. and A. Kraay, *Growth is Good for the Poor*, Washington: World Bank (Development Research Group), 2000 (Monograph).

²⁶ The World Bank, *A Better Investment Climate for Everyone*, (World Development Report 2005), Washington: World Bank, 2004. See: <http://rru.worldbank.org/EnterpriseSurveys/>.

Box 7: Economic Strengthening in Santo Andre through Small Business and Informal Service Sector Development

The Santo Andre CDS was an elaboration of a larger Regional Economic Development Plan. The Greater ABC Region, in the Southeastern part of Greater Sao Paulo, prepared a Regional Economic Development Plan in 1999 that set out a planning and institutional framework for the economic revitalization of the region. The strategy called for a focus on the tertiary segment of the economy. However, because this segment was dominated by small scale and informal enterprises, information about business and other service sectors was scant. Thus a process was initiated in Santo Andre, the second largest of seven municipalities in the ABC Region, to deepen the knowledge-base of this sector through a set of interviews, and based on the results of this survey, to prepare a detailed action plan to support the service sector's development.

Santo Andre discovered that interview based surveying is a lengthy process, especially when the database for sampling is incomplete, as was the case for the informal sector. It took 20 weeks to collect surveys from small businesses, and 15 weeks to collect surveys from the informal sector in Santo Andre. The process was hindered by a lack of awareness about the regional plan and its importance, and reluctance by respondents to share information about revenue and profits with the government. Better media coverage could have helped. On the other hand, the survey process itself raised awareness about the broader strategy and the government's desire for stakeholder participation. For this reason, Santo Andre had to ensure that the people conducting the surveys were capable of describing the regional strategy and its participatory frameworks. The process also required striking a balance between outside consultants and insider inputs. Outsiders helped facilitate the process, could gather sensitive knowledge more easily than the local government, and provided helpful viewpoints, but creating databases, interpreting results, and developing feasible detailed plans, required local knowledge about processes, politics, and historical conditions.

In the end, the Santo Andre CDS served as an important link between the local community and the regional strategy. It added value to the overarching strategy through development of better-defined programs and projects that had the political support of local stakeholders.

Source: Cities Alliance - ABC. "Monitoring Report: Santo Andre / ABC Region" (Santo Andre CDS Report), in CDS Lessons from UN-Habitat/UIMP [CD-ROM], May 2002.

(ii) Competitiveness. The competitiveness of cities can be assessed rapidly. Webster and Muller prepared a manual indicating competitiveness assessment modes.²⁷ In preparing a CDS, comparative advantage need to be identified, i.e., endowments such as climate and geo-location and factor availability and price, e.g., land and labor. At the same time, competitive advantages need to be assessed and identified, i.e., how competitive is a given industry or economic cluster such as automotive assembly vis-à-vis a similar cluster in a competing city.

Unfortunately, urban economic data, even for the formal sector, is limited in most developing countries, especially for medium and smaller cities that do not correspond with provincial or municipal boundaries. Secondly, data tends to be organized traditionally by sectors although economic development is best understood through cluster analysis. To the extent possible, key economic clusters should be the prime subject matter of urban competitiveness assessment.

²⁷ Webster, D., and L. Muller, *Urban Competitiveness Assessment in Developing Country Regions: The Road Forward*, Washington: Urban Group, TWUD, World Bank, 2000.

(iii) Human Resource Development. Human resource development is key to poverty prevention and alleviation. It is the prime agent of upward mobility in developing cities, and at the same time contributes to overall urban productivity and competitiveness through development of a stock of specialized technical skills.

Human resource development involves short-term training, formal training resulting in certification (e.g., university and vocational programs), plus other modalities such as informal adult literacy courses, apprenticeships, etc. Key concerns in assessing human resource development at the urban scale are: (i) access to training / education opportunities, (ii) the quality of training programs, and (iii) the alignment of educational programming with the emerging urban economy.

Short-term training can be particularly important as an adaptation mechanism when cities are shocked. For example, immediately after the 1997 financial crisis in Thailand, the Bangkok government (Bangkok Metropolitan Administration) trained over one hundred thousand people in occupations in demand, in which businesses could be started with minimal start-up capital, e.g., hair dressing, motorcycle repair, home renovation; and in basic small business skills, e.g., simple bookkeeping. The capability of a city to rapidly gear up short-term training is an important element in assessing an urban region.

6.2 Improving Environmental Quality, Service Delivery, And Energy Efficiency

CDS processes in the past have tended to view environmental initiatives as “add ons” to strategies. Often so-called environmental strategies found in CDS are: (i) conventional civil engineering programming, e.g., wastewater or land fill systems mechanistically based on forecast demographic and economic futures, and (ii) proposals to minimize emissions, based on forecast conditions. What is needed is a total re-framing of environmental and energy content of CDS. For example, what city development vectors would minimize environmental infrastructure costs, substantially improve energy efficiency, maximize returns on public health and other social service investment, etc. To what extent can demand management reduce need for increased supply of environmental and energy facilities?

City development strategies need to assess system performance, consider issues, and formulate policies and strategies in three areas directly related to improving environmental performance: (i) environmental quality, (ii) service delivery, and (iii) energy efficiency.

Appendix 2 puts forward a menu of issue areas related to improving environmental performance and service delivery. Relevant menu items will vary widely depending on a city’s position on the urban trajectory. As in the case of livelihood, environmental and public health conditions will vary according to the position of the city on the urban development trajectory, as will energy consumption. This trajectory, known as the environmental trajectory is well understood. In general, environmental pollution worsens with industrialization, often worst during early industrialization (lower middle-income city status), then environmental conditions improve as initiatives are taken, often in response to citizen demands. Mass motorization, the usual prime source of air pollution in middle income cities, is increasingly occurring at an earlier stage in the trajectory. Because the populations of cities tend to grow fastest relatively early in the urbanization trajectory, capital and human resources needs for basic services are usually stressed, with backlogs, even for basic services, occurring at an early stage in the urbanization trajectory. Energy consumption per capita tends to increase until cities reach a relatively high level of development, then it tends level off or drop; energy consumption per unit of production or GDP usually drops much earlier, especially if pro-active policies are in place to encourage energy efficiency. Of course, each city is unique and will vary in the speed with which it moves through the trajectory. For example, some cities are physically located where inversion conditions make air pollution worse; cities in nation states that must import a high percentage of their energy requirements

may introduce energy saving interventions earlier, and basic needs may be delivered more effectively under conditions of capable transparent local government, especially if local civic groups apply pressure. The purpose of a CDS is to target cost-effective interventions that make the most difference in those areas most important to local public health and well-being, environmental quality, and energy efficiency.

(i) Environmental Quality. Air and water quality are of prime concern early in the trajectory. In terms of water quality, care must be taken in choosing technologies, especially for wastewater treatment. Most waste water systems fail in developing cities because no provision is made for sustainability, i.e., financial resources for chemicals, energy, and maintenance. Simply blanketing a city with a conventional (high cost) waste water system is often not the strategic solution, especially in poorer cities.

(ii) In terms of service delivery, the prime concerns are coverage (geographic), accessibility / affordability (price), and quality: cost (often a tradeoff). As in the case of environmental quality, systems need to be sustainable, tariff structures need to be developed that are both affordable to the poor, but in aggregate, enable the system to function without operating subsidies. (Start-up subsidies are justifiable under certain conditions.) A deep literature exists on service delivery, especially from the World Bank, to assist cities in assessing service delivery, and developing strategic thrusts to improve the effectiveness of service delivery.

Johannesburg, South Africa uses modern IT systems, including GIS, to implement an innovative service delivery monitoring system in slum neighborhoods. Through better monitoring, needs are better identified for planning and management purposes, and progress toward environmental and service objectives (e.g., coverage) can be quickly ascertained, (see Box 8).

Box 8: Service Delivery Monitoring System in Johannesburg

To improve decision-making related to service delivery to the urban poor, the City of Johannesburg has established a service delivery monitoring system as an integral part of its city development strategy with the support of the World Bank, the Netherlands, and the Cities Alliance.

The underlying idea was to give political representatives and communities access to information relevant to annual budgetary allocation decisions, and through better information, empower the city's poor. The monitoring system, based on up-to-date information on the status of service delivery to poor households, allows better targeting of sectoral expenditures to poor neighborhoods. By establishing a direct link between budget allocations and their impact on poor households, the monitoring system should also help keep municipal officials and the citizens of Johannesburg abreast of the city's progress towards Johannesburg's 2030 goal of becoming a world-class city.

Important criteria underlying the design of the monitoring mechanism were simplicity, affordability (time and financial costs), user friendliness, and fiscal accountability. Using a geographic information system (GIS), poorly served areas, where households received less than basic services, were identified and mapped. Hand-held computers, programmed with consistency checks to reduce errors, were used to record information. The data was then transferred to a server every other day for immediate use. The Excel database is available to city officials and other stakeholders in user-friendly formats, and the city is now planning to install the database on its website for public use.

This initial mapping of poorly served areas is an important step towards establishing a system to monitor the delivery of essential services, particularly to the poor. The effectiveness of the monitor-

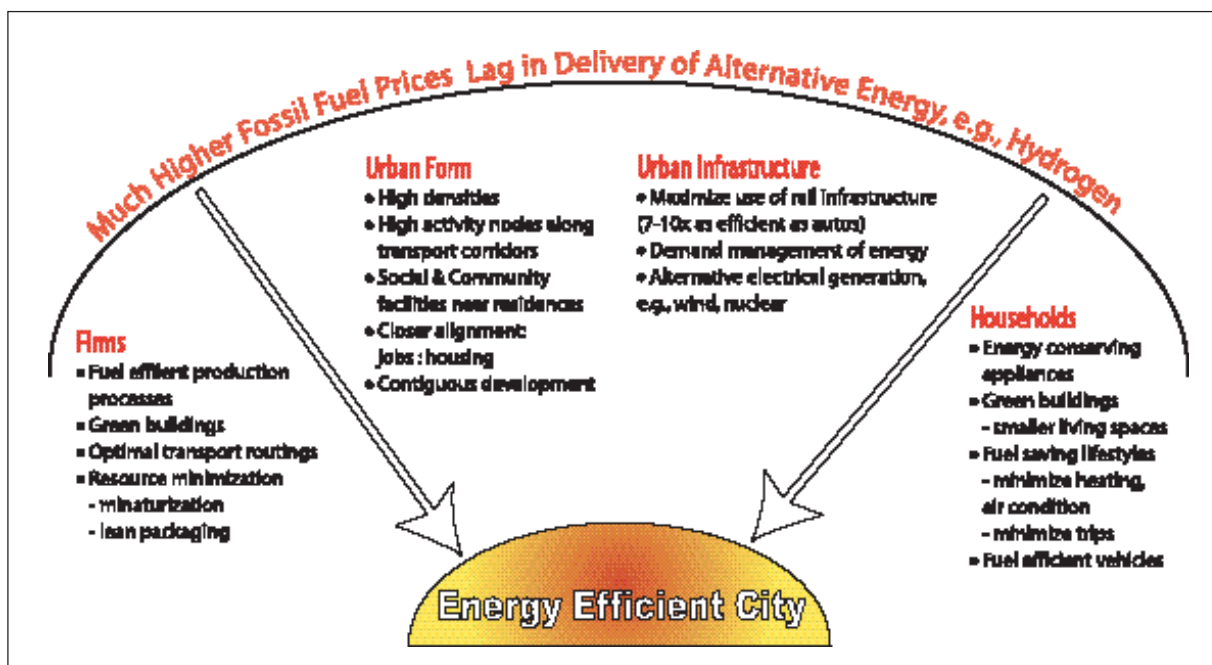
ing system rests on several important factors, including: the kinds of information collected through surveys; how various stakeholders use the information; how it may contribute to building accountability for improving the delivery of essential services to the poor; and how its impacts, i.e., changes in the status of service delivery on the ground, may in the future help to improve the city's fiscal efficiency with respect to service delivery.

The city of Durban is now implementing the systems pioneered through Cities Alliance support in Johannesburg; these systems are expected to spread through the Cities Learning and Support Network to the other seven large cities in South Africa. Lagos, Nigeria, Africa's largest city with a population of more than 12 million, has also expressed interest in adopting the Johannesburg service delivery monitoring system.

Source: *Cities Alliance Annual Report 2002, p. 9.*

iii) Energy Efficiency. As has been argued, energy efficiency will dramatically impact the well being of a city's residents, and particularly lower income residents. Figure 3 indicates the major areas that need to be addressed in improving a city's energy efficiency. Energy efficiency, as indicated by Figure 3, can be improved dramatically through changes in incentive structures that change behavior related to industrial processes, household consumption, building construction and use, and urban form. Demand management is as important as supply management. Since demand management is obviously much less capital intensive, it is often more cost-effective. And cities often have more control over demand (as distributors), because the supply side is often controlled by national scale state enterprises, corporations, etc. Environmental impacts of energy use is another area of high concern. As many cities around the world have shown, curtailing use of coal in urban areas can deliver enormous improvements in air quality, as can switching vehicles to LNG, hybrid, etc., power trains.

Figure 3: Cities in the Post Petroleum World



6.3 Spatial Form and Infrastructure

Spatial Form and Infrastructure are becoming increasingly important in city development. Appendix 3 outlines a menu of urban form and infrastructure issues areas to be considered in rapid assessment of cities.

(i) Infrastructure. Recent research, summarized in the World Bank's flagship report on Infrastructure in East Asia,²⁸ stresses the importance of infrastructure in support of urban economic competitiveness and human well being. However, assessment of infrastructure effectiveness is difficult, and allocating public funds among competing infrastructure needs even more so. Often, trade-offs, as well as synergies, exist between equity objectives (providing basic services to all members of urban society at affordable rates) and economic objectives, which may be facilitated by expressways, ports, airports, etc. A good CDS will carefully consider infrastructure investment. Infrastructure investment has been neglected over the last 15 years in most developing cities, reflected in both public and private investment. There is now a consensus that more attention needs to be given to urban infrastructure to absorb rapid growth, and to enable developing cities to meet their economic potentials. The evidence is clear that infrastructure bottlenecks greatly reduce economic efficiency by raising the cost of goods and services, reducing public health, and robbing the population of their time.

(ii) Urban Form. Cities should be concerned about their spatial structures. Congestion can impose high economic costs, sprawl is associated with energy inefficiency, and attractive environments, e.g., areas of high vitality intermixed with quality public spaces, are conducive to inward migration of talent, investment, etc. Affordable accessible land is essential if migrants are to be absorbed productively as part of large-scale poverty prevention programming.

In many developing cities, slums, including squatter settlements, constitute a large percentage of land area, in some cities, the majority. Slums cannot be viewed in isolation, as separate from the "modern" or "permanent" city, nor should they be viewed as being outside the land economy. If their economic value is acknowledged, this can be used to either build new housing elsewhere, or improve settlements in situ. If there is enough confidence in local institutions (unfortunately a condition that often does not exist), land readjustment, as the East Asian case indicates, usually delivers the most effective win-win outcomes. Slums and squatter areas should be assessed as integral components of a city's spatial structure, like all land use, as dynamic, uses that can be significantly changed through appropriate policy, investment, and awareness initiatives.

All land uses in cities shift, even Central Business Districts (as the case of Manila illustrates), thus all forms of land use should be assessed as dynamic, not static. For this reason, time-series analysis, using remote sensed data, etc., is very important in undertaking rapid assessment. Fortunately, such data sets are becoming increasingly affordable.

The Aden, Yemen, CDS process clearly identifying the need for certain specific infrastructure to enhance the economic competitiveness of the city, and better link investment zones to the wider economy, (see Box 9). The process led to significant investment, which unleashed considerable economic potential, and was influential in shaping the spatial form of the city.

²⁸ ADB, JBIC, World Bank, *Connecting East Asia: A New Framework for Infrastructure*, World Bank: Washington, 2005.

Box 9: Capital investment and administrative modernization are key to local economic development in Aden, Yemen

The city Vision that emerged from CDS workshops involving local participants in Aden, Yemen, not only informed the formulation of a local strategy to strengthen the city economy, but sparked a wider infrastructure investment program for the city and the region.

Aden's CDS strategy focused on strengthening the economy through: (i) improving the operational efficiency of the seaport, airport and free trade zone; (ii) linking key economic areas to the wider city economy utilizing investment such as roads to the industrial estate, and (iii) improving the overall business environment. The latter focused on strengthening the delivery performance of institutions and policy improvements aimed at improving investor confidence. Measures included streamlining business regulations and modernizing the administration's information and communication technology.

These local economic development initiatives received a major boost when the CDS process led to initiation of a region-wide Port City Development Project, a 12-year, US\$96 million investment program financed by the World Bank to improve transportation infrastructure, commercial areas, capital investment plans, and provide resources for building local capacity and modernizing local administrations.

Source: *City Alliance Annual Report 2005*, pp. 59-63; *City Alliance Annual Report 2003*, pp. 10-11.

6.4 Financial Resources

Appendix 4 outlines a menu of key issue areas pertaining to financial resources that should be considered before undertaking CDS assessment.

As indicated by Figure 4, local public sector budgets constitute a relatively small stream of finance for city development. However, this not cause for alarm. A myriad of capital sources exist that can feasibly be mobilized to improve urban performance and the living standards of a city's residents, even in the poorest of cities. Lack of public sector fiscal resources, although it obviously makes the situation more, difficult need not constrain successful strategy implementation.

As indicated by Figure 5, derived from the Bangkok case, much, if not most, public infrastructure can and should be financed by those who use it (consumers), the private sector, etc.

Figure 4: Finance and The City

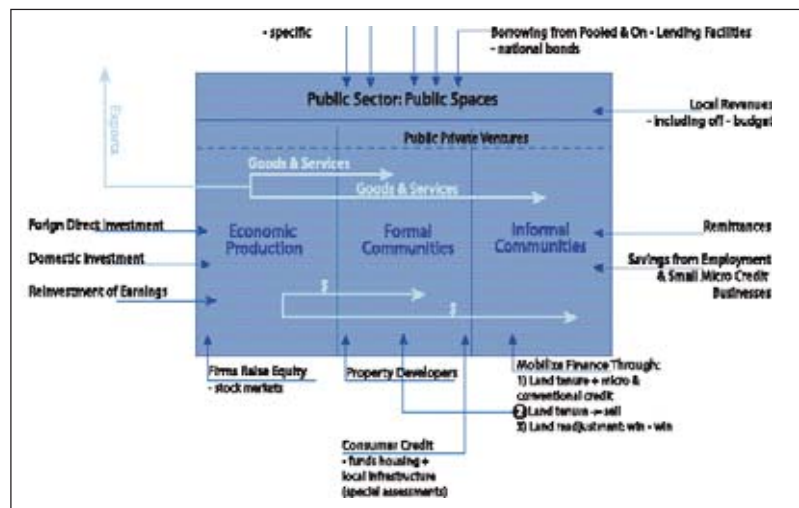
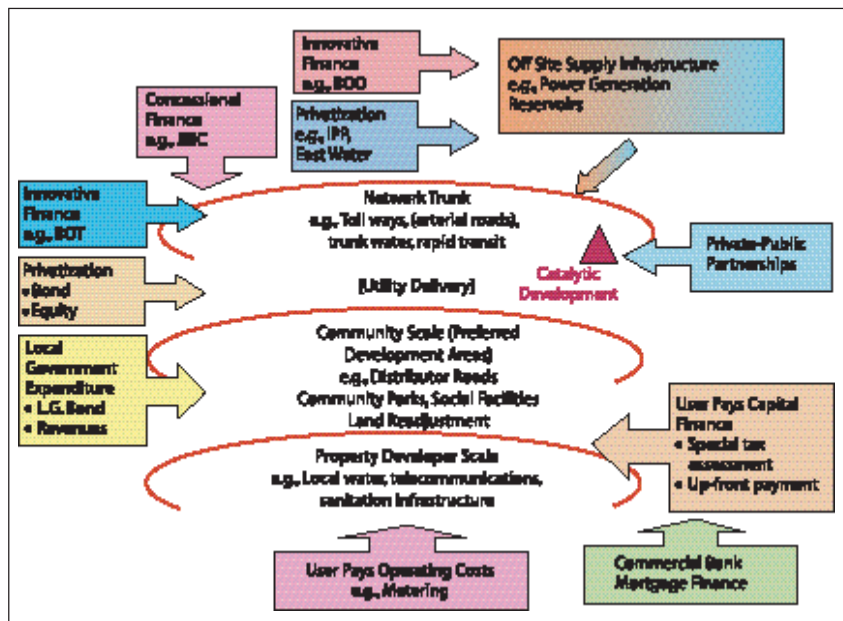


Figure 5: Financing City Building : The Case of Bangkok



Assessment should accurately determine the financial status of a city’s government, both in terms of operating and capital budgets. Appendix 4 provides detail in this regard. In some middle-income cities, municipal ratings agencies do this, but in less economically developed locales, such data will not exist. Once the current financial status of the city is determined, forecasts should be made in regard to the future financial status of the city, based on revenue forecasts and committed capital spending, plus expected routine spending. Best practice involves development of future financial scenarios, often based on low-me-

medium-high revenue forecasts. With this information, borrowing and future commitments can be made, based on a better understanding of risk. An effective CDS will present city financial information in a reader friendly manner, using stylized facts, enabling stakeholders to more easily understand the financial position of the city’s government. The main strategies of the CDS have to be directly tied to means of finance, including city government financing. If a city lacks medium term financial planning processes (that incorporate capital spending), it is likely that the CDS would recommend such a mechanism. Financial analysis of the city’s government will, of course, set the stage for determining how to finance needed infrastructure, public facilities, etc. Clear financial statements, including financial forecasts are a prerequisite to obtaining private sector funding, issuing bonds, pursuing innovative finance, including public-private partnerships (PPPs), etc.

The ability of the city to meet its current debt service, and borrow additional funds, is a critical consideration in determining the future financial role of the local government(s). In making such determination, important considerations include revenue diversity, autonomy to raise taxes, ability to change financial commitments over the economic cycle, willingness to control expenses, cash flow management, and the level of committed capital investment. Financial analysis will involve examining the likely future strength of the city’s primary revenue sources, expenditure trends, operating results, and liquidity position. Particularly important are scenarios in regard to future revenue streams. Normally, financial planning and budgeting should be done over rolling five-year periods, however, analysis of past performance should span the duration of the last full economic cycle.

Indicators, discussed in Section 7, should be established to track the financial health of the city. Financial stocktaking provides a baseline both to assess performance of future financial management, and to make comparisons with other cities, including benchmark cities.

Earlier, the importance of being able to gear training systems up quickly in times of crisis was noted. At a more general level, financial systems need to be flexible enough to respond quickly to economic, natural hazard, and other crises. At such times, increased transfers from national governments are likely, but immediate action is often required by city authorities. The CDS process should assess the city’s ability to act quickly and flexibly during times of stress.

6.5 Governance

Just as in the case of finance, governance far transcends local government. Government is important because it represents the public interest. Local government is especially relevant in city development as it is closer to the main stakeholders, has the potential to be the knowledge hub for urban innovation, and plays an important role in delivery (directly or indirectly through sub-contracting, concessions, etc.) of facilities and services that are the responsibility of local government, or equivalent publicly accountable bodies. Furthermore, local government can and should undertake catalytic projects (alone or through public-private ventures), address market gaps, especially when they negatively affect low-income people or seriously constrain the overall performance of the urban economy.

Appendix 5 presents a menu of governance issue areas to be considered in undertaking CDS work. This work is normally structured around the following themes: (i) National Urban Policy Frameworks, (ii) Institutional Structure and Processes of Local Government (Administrative / Political), (iii) Role of Local Government: In the Context of Decentralization, (iv) Metropolitan Governance, (v) Capacity, and (vi) Relationship to the Private Sector and Civil Society.

(i) National Urban Policy Frameworks. Often this analysis will already have been done at the national level. It is difficult work because cities are often as much affected by *implicit* urban policies, e.g., energy pricing or housing finance rates, as by *explicit* policies, e.g., establishment of metropolitan structures, specific investments in the urban area. As with all CDS assessment, the focus should be on those policy areas most pertinent to the strategy. This means that a scan-scope approach, discussed in the next section, should be deployed initially. As strategic thrusts become clearer, more focused policy analysis targeted at a particular thrust (e.g., increased provision of affordable housing) should be undertaken.

(ii) Institutional Structure and Processes. Although it seems obvious, stakeholders may not be aware of the structure and processes of local government, e.g., how councils are elected or appointed, how staff are recruited and hired, the mandates of major committees, transparency and appeal safeguards, assigned roles and mandates, etc. It is important that this information be obtained, and presented in a brief, stylized form.

(iii) Role of Local Government in the Context of Decentralization. All local urban governments, with the possible exception of failed states, share powers, including fiscal, with other levels of government, e.g., national, provincial. A world wide trend is decentralization, which provides greater autonomy to local governments, and may lead to more efficient, responsible, responsive, and transparent government. In reality, results have been at best mixed, with decentralization contributing to poorer quality local governance in some cases, while unleashing local capacity and energy in others. To date, most decentralization has been on the expenditure side, with less on the revenue side, i.e., cities are given more expenditure powers but revenue generation mandates are increased at a slower rate – creating dependence on transfers or creating unfunded mandates. Given the highly dynamic, and usually stressful, governance situation created by decentralization, it should be addressed in CDS assessment. From a CDS perspective, decentralization should be viewed as an opportunity. Stakeholders should ask how this changed role of local government can best be used to advance strategic thrusts. Of course, in static situations, the mandate of local governments vis-à-vis senior governments still needs to be made explicit.

(iv) Metropolitan Governance. A major constraint to performance of urban areas is fragmented local governance within a metropolitan area, or even larger extended urban regions (which may contain several metropolitan areas). CDS assessment should determine if mechanisms exist to support inter-jurisdictional cooperation within metropolitan areas. And if so, how effective are these mecha-

nisms? A wide variety of mechanisms exist such as metropolitan governments, regional districts, councils of local governments, bilateral and multilateral voluntary cooperation, which may be motivated by senior government matching grants, etc.

(v) Capacity of local governments varies widely, generally speaking increasing with the level of economic development. Capacity includes skills of employees, equipment, corporate culture, training opportunities, etc. The CDS assessment process needs to assess the capacity of local government(s).

(vi) Relationship to the Private Sector and Civil Society. Urban governments vary widely in terms of the extent of relationships with the private sector and civil society. In the case of private sector relationships they vary from virtual isolation, through consultation, to private public ventures, privatization of key services, etc. There is a vast literature on the topic documenting many successes and failures. Similarly, local government interaction with civil society varies over a wide spectrum, affected by national government and ideology, as well as local factors. Again, the vast literature on this topic indicates that the role and impact of civil society in city development can vary from a leadership role in turning cities around to negative.

The case of Sophia (see Box 10), describes urban governance and management restructuring in a transitional economy. Facing financial restrictions, and needing to compete for global investment, especially with other Eastern European cities, Sophia used a strategic approach to undertake major urban institutional change quickly.

Box 10: Sophia – Institutional Development for a Transition Economy

Sophia is facing challenges common to many cities with transition economies:

- The economy has rapidly transitioned from an industrial manufacturing economy to a predominantly service-oriented economy. Public enterprises are being restructured, but still account for 40% of urban employment (2000).
- The urban spatial structure is poorly suited to the new economy: A large amount of the inner city is industrial land, and over 50% of the population lives on the periphery in high-density, poor quality housing developments with inadequate infrastructure access. This structure contributes to severe air pollution from energy generating activities and vehicle circulation.
- The city is facing a severe shortage of housing and office space.
- The urban public infrastructure is decaying and in need of renewal and expansion.
- The municipal governance structure is top-down.
- Municipal finances are centrally controlled, and revenue transfers from the national government to the city are declining. The city receives back only a small portion of what it contributes in taxes and fees.

A clear priority for the City of Sophia is to improve the quality of business and residential locations and services to make the city more competitive, efficient and livable for its residents and investors. However, Sophia, like many other transition economies, needs to shift its public sector role in city-building and social service activities from delivery to guidance, as it moves towards a more market-driven process. This transition is being driven by severe municipal financial constraints, which necessitate the involvement and mobilization of resources from the private sector and third party organizations. To facilitate this process, Sophia developed a City Strategy that focuses on introducing new institutional frameworks to open channels of communication, and streamline business and development approval processes. Thus the strategy calls for forging new partnerships with various stakeholder groups, primarily by creating public-private

organizations, which will enable the government to: (i) inform its citizens about municipal affairs and services, (ii) solicit regular feedback, ideas and suggestions, and (iii) develop joint responses to issues and concerns. To reduce red tape and bureaucracy for business approvals, and planning and building development, the city plans to introduce one-stop approval services, and make application forms and information available online. The strategy also recommends that the city release more land for development, and assist in consolidating land where ownership is highly fragmented. The third strategic measure is to develop a master plan for Sophia to guide private investment in support of more compact urban form. The master plan encourages the creation of business and residential clusters along existing transportation corridors, and more mixed-use developments, in order to encourage the efficient use of infrastructure and to reduce future capital spending demands. The plan is also designed to strongly protect valuable urban green spaces from redevelopment pressures. Sophia has an unusually large amount of urban green space for a European city, which it recognizes as a unique asset that improves the quality of the urban environment for its citizens, and attracts upscale investment and tourism. Through the implementation of these three measures (new partnerships, streamlined approval processes, and the master plan), Sophia hopes to create a more efficient and participatory governance structure that is capable of responding effectively to a rapidly changing economic and social environment.

*Source: "Sofia City Strategy", May 2003. Prepared with assistance from the City Alliance.**

See "CDS Sophia" link at <http://www.citiesalliance.org/cdsdb.nsf/3c3a904d01a033738525683b006ab3b62ae6bd80ae5e0eab86256cec0074bbc3?OpenDocument>

Another city that restructured its municipal management and governance, using a CDS, is Amman, Jordan. Box 11 describes how Amman reorganized local government departments and upgraded and modernized their planning capacity, to better cope with rapid population increases generated by refugee movements, the product of Amman's status in the region as a safe haven.

Box 11: Restructuring Municipal Management and Governance Under Stress in Greater Amman Municipality (GAM), Jordan.

Ammann, the capital of Jordan and home to over two million residents, has undergone rapid expansion in population and size in the past decade. This increase reflects Amman's status as a safe-haven in a region of conflict, which has attracted large numbers of refugees – following the first Gulf War, there was a sudden influx of approximately 300,000 refugees. This has placed extraordinary pressures on the city to plan and deliver municipal services.

In order to achieve its growth potential and improve its ability to provide services efficiently to city residents, the GAM's CDS focused on strengthening municipal management and governance, participation, and urban planning capacity. CDS funding was used to recruit a municipal management specialist to streamline the organizational structure, revamp management systems, and strengthen urban planning processes. This involved: (i) reorganizing functional departments and aligning them with defined service delivery targets and standards; (ii) overhauling the information system, previously consisting of fifteen different and out-dated database platforms, into a single integrated enterprise system, (iii) assisting with the implementation of participatory planning processes, and (iv) strengthening land use planning, zoning and building regulations to increase population in low density areas and minimize sprawl, and to better accommodate and service the recent influx of new residents. A series of workshops are planned to unveil the revamped management and urban planning approaches and to encourage participation. In addition, the CDS led to the adoption of a citywide upgrading strategy for squatter settlements and refugee camps.

Source: City Alliance Annual Report 2005, pp. 58-59.

7. Building Blocks (Process Methodology)

This section outlines the steps involved in preparing a CDS. Although drawn from worldwide experience over the last 15 years, examples are presented throughout the section from the recently completed Xiamen, China CDS, which was based on the approach described below. Figure 6 describes key steps in the process, described in more detail below.

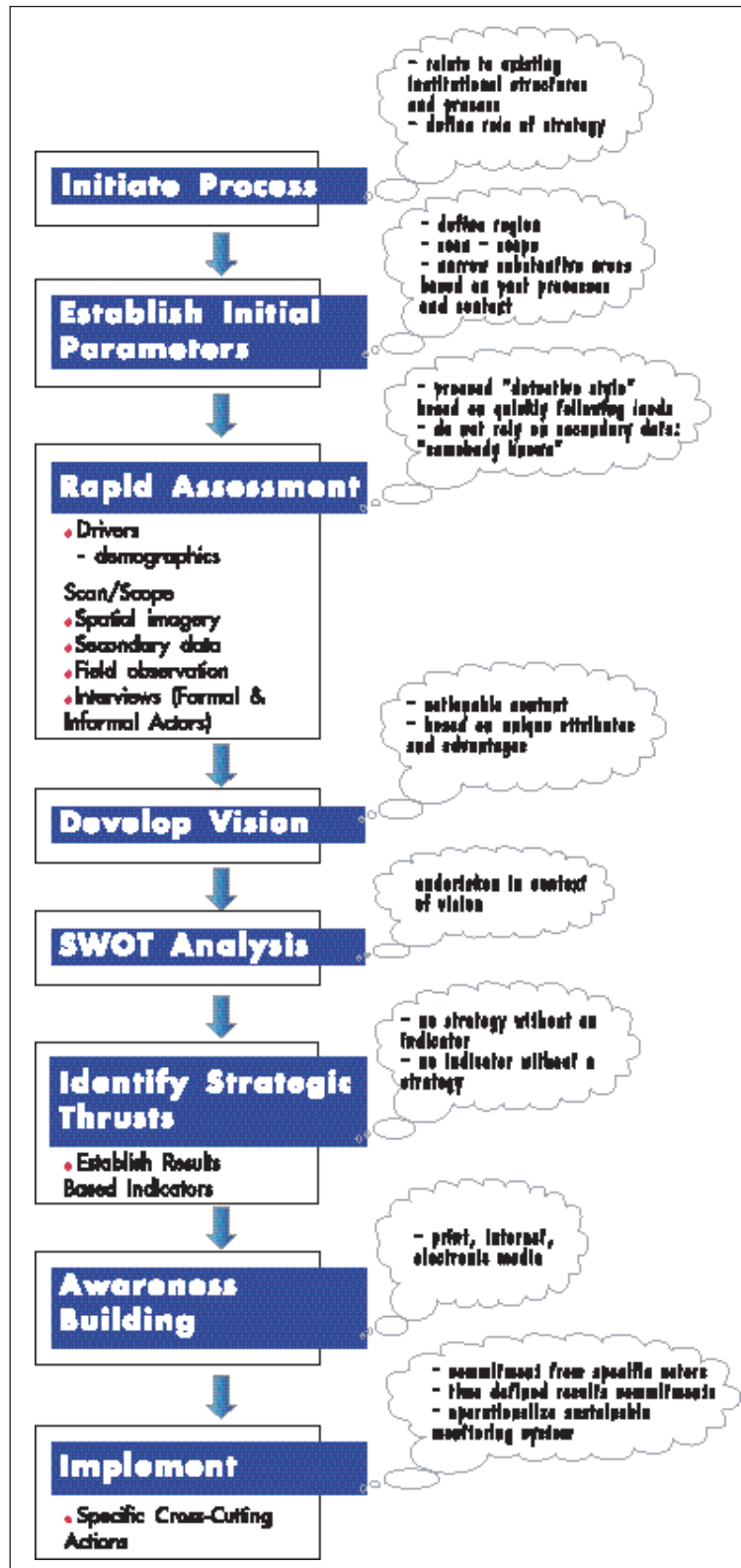
Figure 6: Stylised City Development Strategic Planning Process

7.1 Initiating Process & Process Principles

Careful and effective initiation of a CDS process is essential to its success. Principles associated with successful CDS initiation include:

(i) A strategy, by definition, implies *high-level guidance and co-ordination*. Thus senior officials must agree to contribute time and political capital to the process. If a mayor (or equivalent senior official) is not willing to spend a significant amount of time in initiating the process and agree to listen to, and consider, the assessment of the city that will be produced, the process should be abandoned. A strategy produced in conjunction with middle-level bureaucrats who have little real power or influence is unlikely to be successful.

(ii) A successful CDS requires establishment of a *Key Stakeholders Group*, representing key developmental constituents, chaired by the mayor. Although its composition will vary from case to case, and will need to be agreed to with the mayor (or equivalent official) the committee would normally include a representative of local government (normally the mayor), persons representing the knowledge community (a leading academic in a policy related field), large scale domestic business (normally the CEO or manager of a leading fast-growing cluster anchor firm), the informal business community (e.g., head of the street traders association or taxi co-operative), the foreign business community (normally the manager of one of the leading multinationals anchoring a cluster), infor-



mal communities, public health and the environment, and labor (or workers associations). It is expected that each member of the stakeholder committee will be truly representative of a large network of people in the city, and can reflect their concerns. If the Group is larger than ten people it is too large and will be ineffective in deal-making, plus be too unwieldy to convene. In essence, CDS processes are based on collaborative planning, extensive literature on collaborative planning indicates the need for small group strategic development, with very carefully chosen members who truly reflect their constituencies, and thus can speak and bargain on behalf of these constituencies.

(iii) Guidelines for the process should be established in an initial meeting with the Key Stakeholder Group, chaired by the mayor. These would include:

(a) Duration and Logic of Process. The rapid assessment, described below (7.3), should be limited to three weeks in the field and one month of follow-up research and documentation time (total elapsed time: 2 months). However, initial “behind the scenes” work will be required to set up interviews, think tank sessions with the knowledge community, etc. Normally, “setting up” activities should commence 6-8 weeks before commencement of the field assessment, depending on the administrative efficiency of the city. Not all interviews and other assessment activities should to be firmed up before the assessment begins, in fact, some meetings required during the second and third week of the rapid assessment will not be identifiable during the “setting up” stage given the iterative “detective like” nature of the rapid assessment process. However, meetings with key agencies (responsible for economic development, spatial planning, environment, public health, labor) do need to be firmed up.

Following the assessment process, a process of stakeholder involvement needs to be undertaken. This would normally involve meetings with each of the stakeholder groups and the Key Stakeholder Group to facilitate Vision formulation (see 7.4 below) and identification of Strategic Thrusts (see 7.6 below). Once strategic thrusts are identified through an iterative process, technical work will need to be undertaken to refine them and make them operational, involving experts in the technical areas identified (obviously these individuals can not be identified during the “setting up” stage) and very importantly, powerful indicators will need to be developed to monitor the progress of implementation, especially in terms of outputs and results. Normally, the stakeholder involvement process would take 6 months. Awareness building (see 7.7) would follow, a continuous process that would extend over several years, but would include an initial intensive campaign to ensure that every citizen of the community, and key members of the global community, are aware of the strategy. Implementation (see 7.8) would extend over several years, with detailed five-year strategies in place (involving approximately five inter-locking cross-cutting strategies), that would provide space for change in tactics, based on feedback and changing conditions, both internal and external.

In total, the whole process, from initiation of the process, to commencement of implementation should take no more than one year. The reason for the short duration is that energy and enthusiasm will rapidly dissipate if the assessment, stakeholder involvement, and strategizing phases take longer. It is important that the energy of key stakeholders be compacted. Furthermore, the technical talent required to produce a first rate strategy will be expensive, and therefore should be concentrated over a short period of time.

(b) Relationships to existing institutions and processes. Since the Cities Alliance CDS process is very limited in time, it will not be sustainable if it works on a separate track or establishes its own CDS institutions and processes. Rather, it should work with existing city planning, economic development, environmental, public health, energy, and social planning institutions. This does not preclude initiation of new institutional processes and structures resulting from the CDS process, however, the starting point should be the existing processes and institutions. It is important that one institution, enthusiastic about the process, and connected to political and coordinative power, including the mayor, take responsibility to co-ordinate and catalyze the process, acting as the CDS process *anchor*. This institution is often the mayor’s office.

(c) Community Involvement. All major interest groups in the city should have a chance to participate in the process. The dominant channel would be through organizations represented by the key stakeholders group, which, in most cases, will have already identified their constituent's interests. However, at least one open meeting ("town hall meeting"), which will both provide information about the process, and provide an opportunity for any group or person to speak up, should be organized. As has been established for urban development issues in Thailand,²⁹ an interactive website, which acknowledges input and responds (a senior official in Thailand responds to comments and queries on a weekly basis), should be established in cities where access to the website is available to a significant percentage of the community.

A good CDS will not have 100% buy-in. Although searching for as much "buy in" as possible should be an underlying principle, expecting to achieve consensus is a sure recipe for a content-less strategy. Searching for complete consensus often leads to cosmetic participatory processes such as town meetings where real dealing among interest groups does not occur, the community quickly realizes that they are being manipulated, or that their time is being wasted, and become alienated from the process.

A good CDS will be fair (just) to all groups, and will plot the best means to achieve the city's Vision (established by the key stakeholder group), based on a realistic reading (assessment, SWOT – see below) of the internal and external environments facing the city. This will mean commitment and compromise by all key groups, and hard-edged negotiations will precede deals, which will need to be cut among interest groups through the Key Stakeholder Group. If the CDS is to be meaningful, it will involve considerable contestation, hard work, and stress within the Key Stakeholder Group. If the process is easy and uncontested, it is an indication that the CDS is content-less and will not lead to meaningful change.

(d) A CDS does not set development targets or goals at inception. The essence of the CDS process is to develop a Vision, only later are strategic thrusts identified. It is essential that targets and indicators be directly linked to the strategic thrusts.

(e) Implementation Commitment. Given the foregoing, although there is a need at the outset of the process to obtain a commitment to implementation, detailed implementation planning will need to await strategic thrust identification.

(f) Assessment Team Composition. The assessment team should include the highest quality domestic and international experts that can be attracted, supported by the very best young enthusiastic researchers in the community (who are likely to be future community leaders) – probably from the local university. As argued above, involving outsiders, a practice virtually always followed in first world city CDS preparation, will bring a very valuable outsiders perspective to the process. The senior team would normally be composed of no more than 4 persons – 2 domestic and 2 foreign. They will not require more than 6-8 weeks of time each to undertake the assessment and document it to world-class standards (utilizing quality graphics, spatial imagery, etc.) The underlying principle should be to hire the best available national and international talent for limited amounts of time, rather than mediocre talent for longer time periods. Effective assessment requires conceptual breakthroughs, knowledge of international best practice, and keen insight. Off the shelf teams provided by consulting firms normally will not meet the foregoing requirements, although some international firms, such as McKinsey, are building up world-class CDS teams, operating globally. If a quality assessment team cannot be put in place, the CDS should be abandoned, rather than wasting the city's time. Even worse, poor assessment, SWOT, and strategic thrust identification can mislead a city, causing significant damage, especially if a poor quality product is taken seriously.

²⁹ See: plannerthailand.com

(g) Strategic Thrust Technical Team. Although one or more members of the Assessment Team might be involved in technical support to strategic thrust formulation and identification of indicators for strategy monitoring, team composition for these latter stages of the process cannot be prejudged. Again, it is important that technical inputs to formulate strategic thrusts, and associated indicators, be based on the best personnel available. Normally, personnel with different sets of skills will be needed for these latter processes.

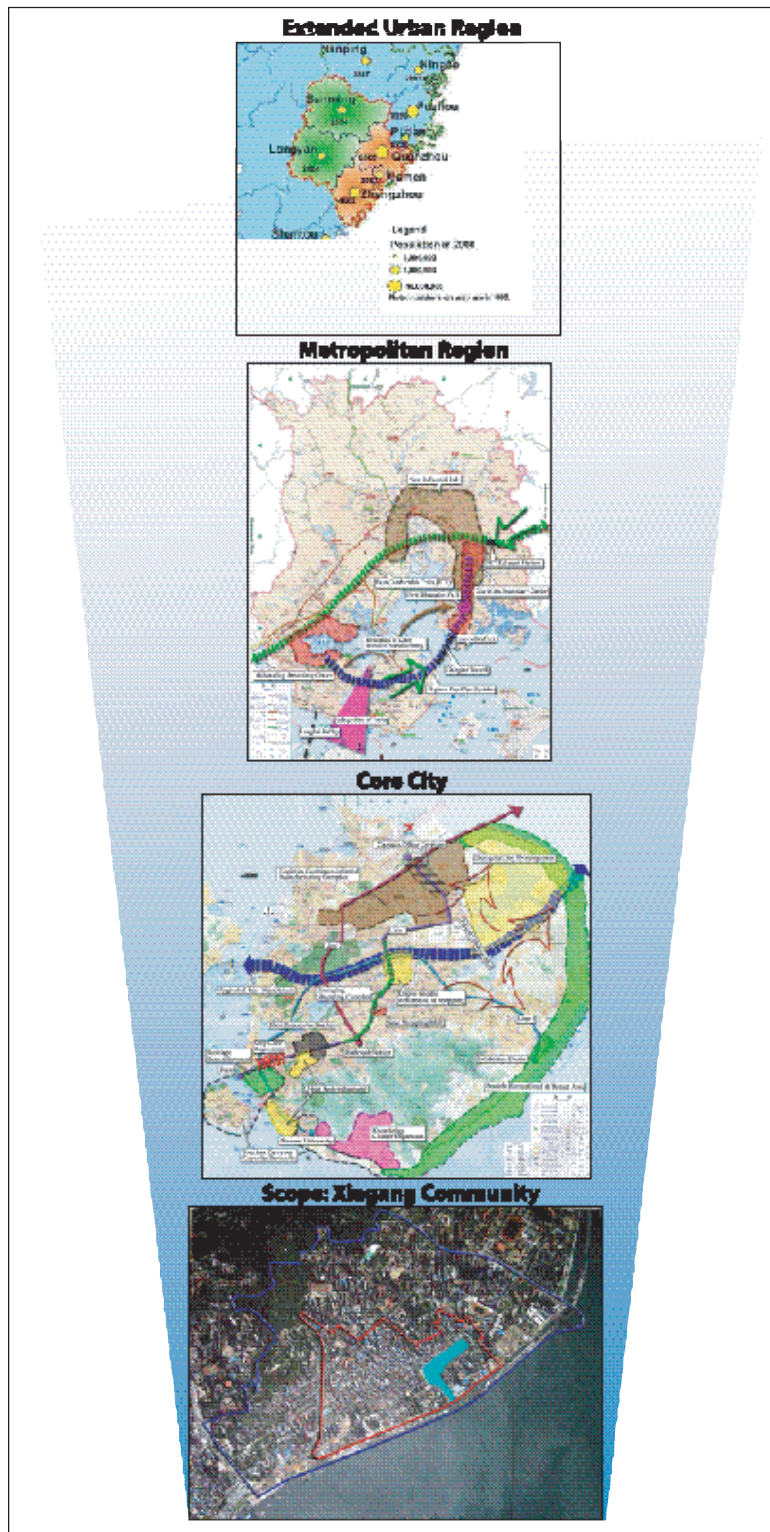
7.2 Establishing Initial Parameters

Establishing initial parameters involves two main areas: (i) spatial definition and (ii) substantive focus.

(i) Spatial definition. Defining the spatial domain for a CDS is a difficult task because there is a trade-off between the amount of territory (and usually the number of local government jurisdictions) covered and the depth of a strategy. Experience indicates that the best way to handle this tradeoff is by employing scan-scope approaches whereby the context is scanned widely at the regional (extended urban region plus hinterland) level, but the actual strategizing is applied at the metropolitan level. Then, within the metropolitan area, specific areas are assessed in much more detail, using scoping, because they are key to the future of the city – for a variety of reasons, e.g., absorption of migrants, employment nodes, high value transaction environments, social and economic malaise, etc. Map 1 indicates this four level spatial definition (plus subsequent scoping) in the case of the urban strategy prepared for Xiamen, China. Areas to be zoomed in on for scoping (detailed assessment, including street-by-street field work) cannot be identified at the inception stage – they are identified iteratively during the rapid assessment stage. Spatial definition involves use of remote sensed imagery, much more useful if time-series images (dating back 10-15 years) can be procured. Such images are increasingly inexpensive, however, if funds are not available to purchase such images, remote sensed images of virtually every city region on earth are now available on the www, particularly through the *google maps* and *google earth* websites, albeit the detail varies from city to city.

(ii) Areas of Substantive Focus. This is often referred to as the “where do you enter” question. Cities vary widely in terms of the extent to which they have assessed their situation and identified strategic priorities in the past. Thus although the guiding principle, as noted above, should be to start CDS processes with as few preconceived notions as possible, in some cities past processes may have identified key priorities and even a Vision. The political leadership of the city, in conjunction with the Key Stakeholder Group, will need to decide to what extent the CDS process should be substantively narrowed by past work. For example, it may be decided that the CDS should focus on productive absorption of migrants, establishing the city as an Information Communications Technology (ICT) leader, or restructuring urban form to meet accessibility and energy efficiency targets. However, even if the substantive area of the CDS is narrowed, the assessment, within that frame, should be approached from a clean perspective. That is, assessment and conceptualization should attempt to reframe both the problem and solutions (thinking “outside the box”), to come up with the most effective strategies. If more narrow CDS strategies are undertaken, the technical assessment team should obviously reflect the substantive focus. *However, in no case should a narrow CDS be undertaken unless a broader one, based on high quality assessment and strategizing, has first been undertaken*

Map 1: Four-Level Spatial Definition and Scoping: Xiamen China



7.3 Rapid Assessment

Rapid assessment techniques, to provide an information basis for Strengths-Weaknesses-Opportunities-Threats (SWOT) analysis, have been well documented and tested in the field, and are known to work well under virtually all conditions. Manuals on these techniques are readily available.³⁰

(i) Drivers. Rapid assessment starts with identification of *Drivers*, i.e., what is driving the city's economy and its national and global roles. Essentially, why does the city exist, and what is driving its growth (or stagnation, decline). Drivers are of two types: (a) internal, e.g., local human resource capabilities, and (b) external, e.g., demand for exports, FDI, trading environments, national policy frameworks for urbanization. Drivers' assessment is as much an art as a science. It is driven more by content analysis of media and by non-conventional sources of information, such as future studies, than by secondary data and other more conventional sources of information. Drivers' assessment should be undertaken from a futures oriented perspective, i.e., the focus should be on emerging drivers (trends, potential shocks, cycles, random events). As Kaplan indicates, *performance drivers* should be identified that are directly associated with future performance, not past outcomes.³¹ *Futures oriented* publications, such as *The Futurist*, can often be useful in sensitizing analysts as to where to look for relevant information pertinent to the city as well as regionally oriented publications, e.g., *The Far Eastern Economic Review*.

³⁰ See footnote 14. Also see: United Nations, *Guidelines on Strategic Planning and Management of Water Resources*, New York: Economic and Social Commission for Asia and the Pacific, United Nations, 2004; and Asia Development Bank, *City Development Strategies to Reduce Poverty*, Manila: Asian Development Bank, pp. 17-20.

³¹ Kaplan, R. and D. Norton, *Translating Strategy into Action*, Boston: Harvard Business School Press, 1996, p. 150.

A major driver of urbanization is demographic change. Thus drivers analysis will identify demographic dynamics, including at the intra-metropolitan scale, e.g., where are migrants settling within the urban region, which parts of the city are growing fastest, slowest? In many cases demographic assessment will be difficult because of poor quality population censuses or because some jurisdictions count people only where they are registered (which may be a town they migrated from), rather than where they actually live. Thus fast-growing cities tend to undercount their populations.

(ii) Scanning. The next step in the rapid assessment process is to *scan* the city in economic, public service delivery, environmental, spatial / built form, and social terms.

Economic scanning involves a review of key available time-series economic data, enhanced by application of simple indices such as shift-share, location quotient, etc. This analysis alone often yields limited understanding of the urban economy, given the poor quality of urban scale data in most developing city regions. Secondly, in fast growing and fast changing urban economies, knowledge of the existing situation and even trends, is less useful than in slower growing situations.

More important is cluster analysis, based on in-depth interviews with leaders of the local economic development agency, chambers of commerce, trade associations, informal economic associations, etc. The objective should be to determine: (a) the order of magnitude importance (in employment and value added terms) of different economic activities, (b) emerging activities and future potential, and (c) key anchor firms or leaders of informal economic groups, e.g., vendors' associations. Cluster analysis almost invariably produces insights that traditional sectoral analysis does not.³² In scanning, economic clusters, rather than sectoral analysis, should be the basis of the analysis. For example, a world class aircraft refurbishing cluster in Xiamen, China was identified using a cluster approach to scanning the local economy, it would not have been found in the secondary data, where the activity is buried in the machinery category. Service sector data is often even more deficient. For example, the vibrant advertising industry in Bangkok is readily identifiable using cluster analysis, but is buried in the traditional sectoral data.

Scanning of basic service delivery performance focuses on the quality, quantity (including coverage), sustainability (in fiscal and ecological terms), and affordability of services. For example, scanning would determine accessibility to primary health centers (geographically, financially, and wait times), and the effectiveness of the treatment offered. More detail on basic service delivery is provided in Section 6.2 above, and Appendix 2. Environmental scanning involves review of existing time series data on aspects of the environment most important to public health, e.g., air pollution, surface water quality. Developing cities view environmental issues from a public health viewpoint, different from the perspective taken in western developed cities. Fortunately, electronic monitoring equipment is becoming less expensive worldwide, so monitoring of environmental conditions is improving in many cities. The second aspect of environmental scanning pertains to environmental and public health infrastructure and delivery, e.g., coverage of water supply and waste water systems.

Spatial scanning focuses on: (a) elements and (b) dynamics, as indicated by Map 1. Time-series remote sensed imagery is important because it provides information concerning changes in the spatial form of urban areas. However, a deep understanding of spatial elements and dynamics requires in-depth briefings by local physical planners, real estate agents (or their equivalent), property developers, and transportation planners. Key probes, as described in Appendix 3, work in identifying spatial elements, based on international experience. Spatial imagery utilized in isolation explains very little about why spatial change is occurring. But combined with on-the-ground iterative fieldwork, and trian-

³² For an overview of cluster analysis, see: Porter, M., *On Competition*, Boston: Harvard Business Review Books, 1998 (Chapter 7, "Clusters and Competition")

gulation with other data sources, it can be a powerful source of information in understanding the spatial dynamics of a city.

To identify spatial dynamics, the drivers of change need to be identified. Particularly important are transportation infrastructure (completed, committed [date of completion], and planned), e.g., new expressways, rapid transit systems. Also important in understanding spatial dynamics are intra-urban differentials in the dynamics of real estate markets (both formal and informal), changes in perception of areas (signaled by “trendy” activities, movement of neighborhood status up and down, etc.), and changes in spatial investment and employment creation patterns. It is important not to confuse spatial dynamics with official city plans. As is indicated by the case of Chengdu, China, cities often grow in very different directions than the planners advocate.

Social scanning should focus on access to basic services, and education, the prime levers of upward mobility in most cities of the world. Formal unemployment rates tell little in many cities, but real household income, and access to services data, plus education enrollment rates are useful. Particularly important is access to education and facilitating mechanisms, such as access to student loans. As is the case with economic and spatial scanning, *time series* analysis is imperative. Knowing the changes in the social condition of populations is more important than a static description of current conditions.

In scanning a city, it is important that a diversity of views be obtained from a representative set of actors, e.g., multinationals, SMEs, NGOs, Labor Unions, Associations and Leaders representing the informal economy, Trade Associations, Property Developers, etc. In cities where use of the internet is in common use, a site should be established by the CDS anchor institution to solicit input on dynamics of the city, in other contexts, call-in lines, etc., can be established. Radio talk shows that solicit calls from a variety of residents can be useful.

Interviews are most effective if data needs, etc., are well-documented and lists are left with priority agencies for technical follow-up, to free up the interview time for probing, e.g., what are the issues, what aspects of the system in question are performing poorly and well? Good interviews probe for the biggest problem, the important players, identification of competitor cities, and emerging economic activities. Data requests should be sharp, lean, and limited. Comprehensive data lists (fishing expeditions) will turn off agencies, who will correctly determine that the assessors do not understand what they are doing, and result in no data or not the most important data being delivered.

In assessing a city, lack of formal data, as is especially the case in many sub-Saharan African cities, may not be as big a problem as it might appear. By definition, “somebody always knows”. Bamako illustrates how data can be collected in the absence of strong statistical databases, (See Box 12).

(iii) Scoping. The next step in rapid assessment is to scope in on key issue areas and dynamics. In the case of the economy, scoping involves interviewing managers of anchor firms in rapidly growing clusters, obtaining their views on the future of the economy. Figure 7 identifies clusters that were subject to more detailed analysis in preparation of the Xiamen CDS. In terms of public health / environment, specific problems, e.g., respiratory disease related to air pollution, or increases in traffic deaths and injuries should be assessed in more detail to determine causality. In a spatial sense, scoping involves walking the streets and back alleys of targeted areas, detailed image interpretation, and field-checking new development corridors and areas (is construction really underway?). In social terms, scoping in on the most important social challenges may involve meeting with leaders of advocacy groups, labor agencies, educators, etc. The most important principle in scoping is to work iteratively, one key informant is likely to recommend a second, etc. At the same time, interviews or visits should be politely dropped when it is determined that the dynamics involved are not critical to the future of the city. A simple template indicating key information being sought should be prepared before each inter-

view, and sent to the person(s) being interviewed before the visit.

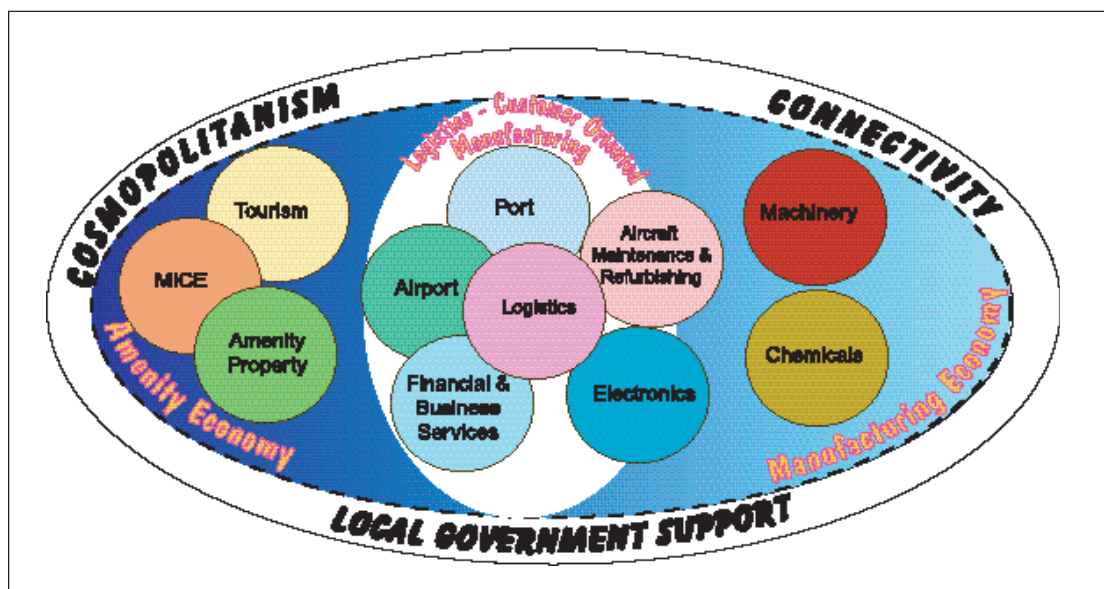
Box 12: Collecting City Data in Bamako, Mali

When Bamako, Mali decided to embark on a CDS process, it was met with enthusiasm by various city stakeholder groups, which placed great hope in the process to deliver desperately needed social programs and infrastructure. Given the weak statistical base and lack of city indicators, the CDS team made use of a public workshop to gather information on the city and elicit public input into the CDS formulation. The workshop brought together stakeholders from a broad cross section of business people, community groups, and local organizations, ranging from refuse collectors and women's rights groups to commercial interests and government agencies. These individuals were able to provide information and learning not elsewhere documented about the city's conditions, spatial dynamics, and trends, and helped to identify important issues and objectives for the city's development. With a substantial portion of Bamako's population poorly educated and illiterate, the standard written forms of information gathering and dissemination, such as questionnaires, reports, journals, newspapers, texts, and statistical data, were not useful. Instead, the CDS team relied on other more effective forms of communication. They used direct contact and public radio to raise awareness about the CDS and the workshop. The workshop itself was conducted in the local language, and effectively used moderators to explore, discuss and debate positions during a face-to-face forum of the city stakeholders. This highly participatory process resulted in a much richer understanding of the city's current situation and development needs, and led to an agreed upon set of objectives for the CDS, as well as much-needed buy-in and commitment to a development strategy by a broad cross-section of stakeholders.

Afterwards, the difficult challenge facing the CDS team was to convert the workshop results from a wish list to a truly strategic development plan. Unfortunately, consulting support and funding had run out shortly after the public workshop, before the strategy could be translated into concrete actions. This loss of momentum is disappointing in light of the interest and participation of so many stakeholders, which if effectively coordinated and directed, represented an important resource to achieve the city's development potential.

Source: Dr. A. T. Koby. "Bamako District Development Strategic Planning Project: Mission Appraisal Report", Bamako CDS Report, in CDS Lessons from UN-Habitat/UMP [CD-ROM], May 2002.

Figure 7: Xiamen: Key Economic Clusters



Scoping is even more important where data sources are limited. Scoping should be undertaken in a detective like fashion until the information that is needed to understand the dynamics of the city is found.

Assessment is not dependent on great specificity, more important is that the overall magnitude, direction, and rate of change within key thematic areas is determined, to enable a diagnosis to be made using Strengths-Weaknesses-Opportunities-Threats (SWOT) analysis. As Lord Keynes noted, “it is better to be roughly right, than precisely wrong”.

(iv) Benchmarking. An important component of rapid assessment is benchmarking. How does the city’s performance compare with other *comparable* cities, with *competitor* cities, and with *aspirational* cities (cities performing at a level to which the city in question aspires) in key thematic areas? Benchmarking should be undertaken using several measures, e.g., income, social service coverage and effectiveness, unit costs of infrastructure delivery, growth rates, energy consumption, and include key thematic areas that are the subject of scoping.

7.4 Develop a Vision

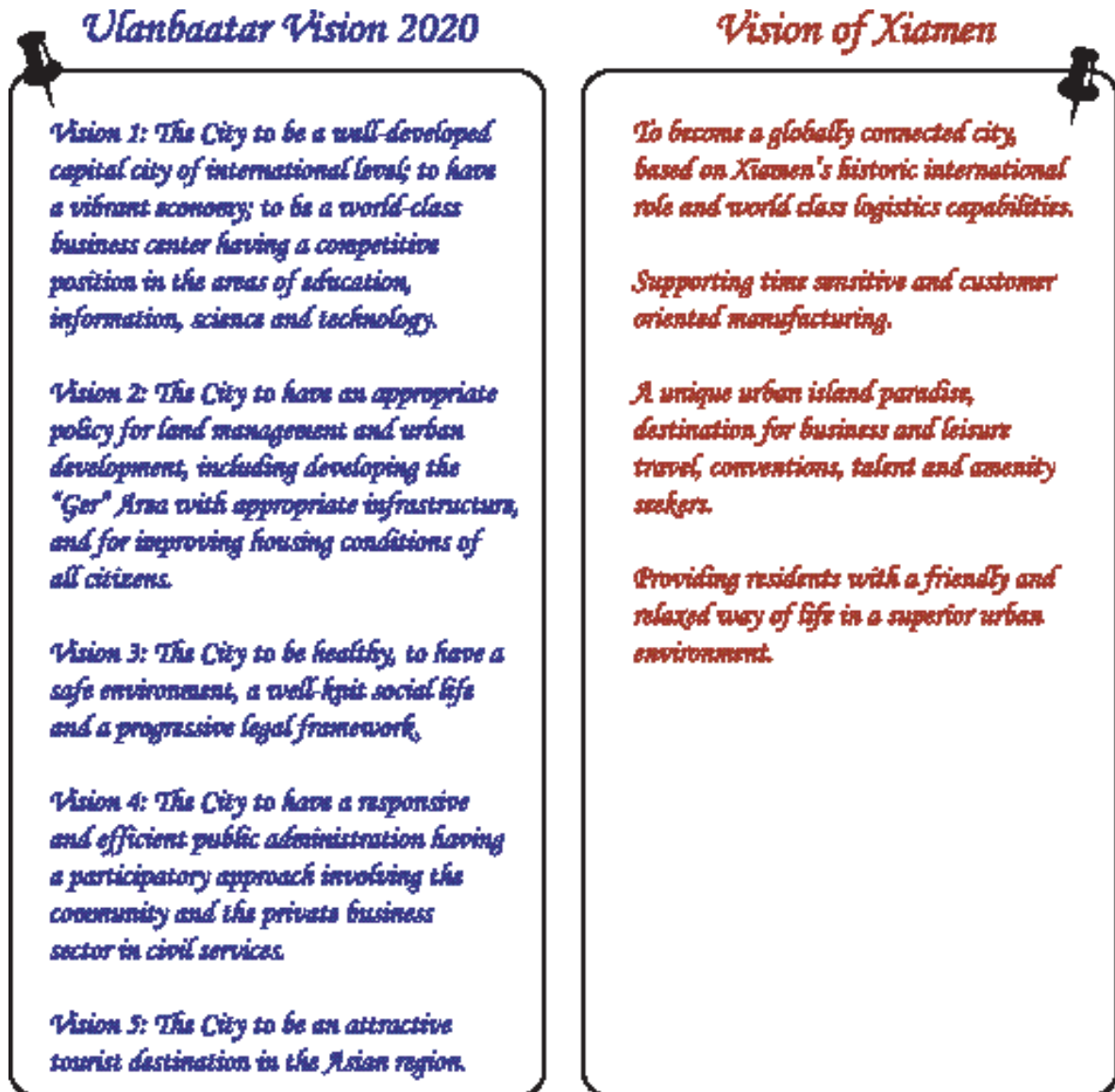
A Vision is a statement of where a city wants to be in the future – usually 10 - 15 years forward. It needs to be specific, internally consistent, and realistic, but challenging. It not only inspires and challenges, but is meaningful enough that all residents can relate to it. It is identified by the Key Stakeholders Group, in brain storming sessions, in the context of information generated through the rapid assessment process described above (7.3). A Vision should reflect the unique attributes of the urban region: (i) comparative and competitive advantages, (ii) values and preferences of its residents, (iii) the relationship of the city to the global, domestic, and sub-national economies (especially its hinterland and competitor cities), (iv) its history and culture, and (v) its physical characteristics, e.g., location, climate, terrain, water supply, scenic attributes.

A Vision should be oriented to the outside world as well as a city’s own residents. As such, it should be positive in tone, e.g., using statements such as “making quality housing available to all” rather than “eliminating slums”.

A Vision should be short, no more than sixty words in length and easy to understand. A Vision creates an identity for a city, enabling it to stand out in the world. Figure 8 below describes the Vision developed in the case of the Ulanbaatar and Xiamen CDS processes, they are based on the unique characteristics of these cities, both in terms of factors such as their economies, location, and amenity endowments.

Although short, a Vision can be a powerful unifying force in a community. Normally, it should not be changed over the ten-year period – *tactics* to implement the Vision should regularly be modified, as conditions change, but the Vision should remain constant, like a lighthouse. (In some cases, external or internal conditions will change so significantly that a rewrite of the Vision is necessary – but this should be a relatively rare occurrence.) A Vision is important because it aligns stakeholders’ energies so that they work cohesively (i.e., “face in the same direction”) for the good of the city and its region. Although long term in orientation, a Vision is intended to motivate short-term action. As the environment facing cities worldwide becomes more uncertain, Visions become more important, providing continuity as tactics change rapidly based on information provided by anticipation and foresight techniques.

Figure 8: Ulanbaatar and Xiamen Visions

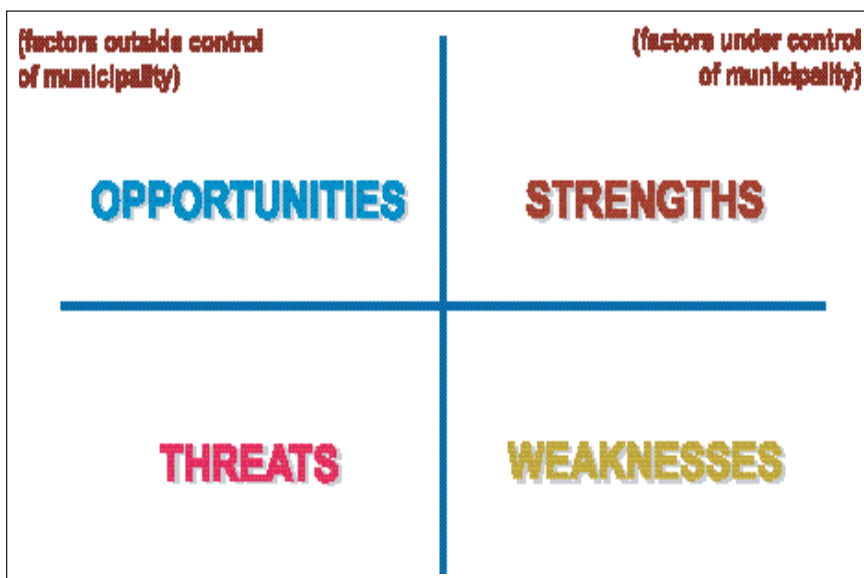


As noted, the Vision should be developed by the Key Stakeholders Group, or equivalent, chaired by the Mayor, representing the executive leadership of a city. It is critical that it not be prepared by the local government or technocrats in isolation. Often existing meaningful images of the city can, and should, be incorporated into the Vision, e.g., slogans, icons, images, to provide continuity with the past. The exception would be images associated with past failed efforts. As noted, the Vision should be based on the rapid assessment; special attention should be paid to implementation resources, based on an audit of resources available (see Section 7.5 below). In formulating the Vision, the Key Stakeholders Group can employ various techniques to solicit input, e.g., focus groups, radio call in shows, internet sites, contests, letters to newspapers, etc. Feedback from international experts may be helpful to ensure that the larger picture is captured in the Vision, that it is realistic, and that it focuses on the leading opportunities open to the city. International input would include expert opinion from senior personnel who undertook the rapid assessment process.

7.5 SWOT Analysis.

Once rapid assessment has been completed, and a Vision agreed upon, SWOT analysis should be undertaken. Figure 9 describes the basic structure of SWOT analysis. Strengths and weaknesses refer to the internal characteristics of a city, especially (a) its key institutions, public, private and third sector, (b) economic factors and endowments, and (c) the status of its physical environment. Opportunities and threats refer to the external environment, which will include economic, technological, political, and social trends, cycles, shocks, etc. SWOT analysis is undertaken in the context of the Vision, or in some cases, simultaneously with development of the Vision. In other words, the internal and external environments of the city are assessed in the context of how they will contribute to, or hinder, Vision achievement. Large amounts of technical information are available to assist undertaking SWOT analysis, particularly in business, planning, and public policy literature.

Figure 9: SWOT: External & Internal Environments



SWOT analysis enables a city to:

(i) Build on, and leverage, strengths and opportunities, e.g., emerging clusters in the city, increasing world markets for the city's products, lower national interest rates to finance affordable housing.

(ii) Avoid threats or take actions to minimize them, or even reverse their impacts. For example, rising petroleum prices can be turned into an advantage by making the city more energy efficient than competitors.

(iii) Build on institutions with the most capacity, potential, leadership, and enthusiasm. This is very important in implementing strategic thrusts, see 7.8 below. Conversely, it enables strategic champions to identify and avoid institutions that have low capacity and thus thwart strategic implementation, or to immediately strengthen these institutions if they are central to strategy implementation. Institutional contexts vary widely from city to city, and especially among nations; thus key institutions must be selected carefully, based on their real relevance to Vision achievement.

(iv) Identify institutions that may oppose the strategy. Efforts can then be put into reducing that opposition by convincing opponents of the value of the strategy, and if that does not work, implementing the strategy by "going around" the institution(s) in question.

7.6 Establish Strategic Thrusts

Strategic thrusts should be identified by the Key Stakeholder Group. In essence, a strategic thrust is based on a hypothesis about cause and effect.³³ Normally, no more than five strategic thrusts should

³³Kaplan, p. 149.

be identified, otherwise the strategy will lack focus, will not be comprehensible, and financial and knowledge resources will be stretched too thin. Strategic thrusts are, *a set of means (actions), pursued with discipline and intent to produce results within a given time period, measured using key indicators, against targets*. Strategic thrusts are not wish lists, lists of projects, or comprehensive sectoral plans. (This is particularly a challenge if CDS processes are open-ended and highly participatory – large meetings tend to generate wish lists rather than a few strategic intervention points. See Box 12, the case of Bamako.) A given strategic thrust is rarely the responsibility of one institution, but is a set of cross-cutting inter-locking actions that will deliver maximum impact in achieving the target, in as cost effective manner as possible.

Strategic thrusts almost always involve a mix of means, e.g., capital investment by the public and private sectors, changes to policy frameworks affecting firms and households, modification of regulatory frameworks, awareness and education initiatives, community action, etc. For example, a strategic thrust might involve implementing significant pick-up fees for garbage exceeding one bin weekly encouraging households to recycle and manage waste better combined with an awareness strategy, and support to a private recycling service. A strategic thrust to revitalize a CBD might involve encouraging a private developer building a signature (icon) building, changes in Floor Area Ratios (FAR) in the area, rapid transit service to enable high densities without congestion, etc. A productivity enhancement program might involve new partnerships between leading multi-national corporations (MNCs) and local technical colleges, establishment of new curricula, increased interaction between the local government and leading firms, establishment of a science park near the local university, a campaign to attract talent to (back to) the city, etc.

In designing strategic thrusts, further technical work will be needed. Issue areas, economic clusters, geographic areas, financing options, etc., that are the focus of the thrust will need to be studied in more detail. Meetings with key actors, an examination of international best practice, and probes re financing possibilities will need to be undertaken. If budget permits, the CDS technical team should provide assistance in the fine-tuning, fielding personnel that are experts in the strategic areas identified.

In many CDS, strategic thrusts identified are not true strategies, but themes or even objectives, e.g., “improve the urban environment”, “improve accessibility through balanced transportation systems”, or “eliminate slums”. Such platitudes are not strategies. Implementation of a true strategic thrust must be measurable, as such, it needs to consist of specific actions.

Every strategic thrust should have indicators attached to it, to measure achievement. The focus should be on output, outcome, and results (impact) indicators, not input indicators, but in some cases input indicators may be useful, e.g., students per classroom. (If results based budgeting is introduced or required, input indicators need to be included in the monitoring system.) Formulating operational indicators is extremely difficult and thus technical expertise will be needed. Normally, a composite flagship indicator for each strategic thrust should be identified, along with 4-6 key indicators measuring the most important elements of strategic achievement associated with the strategic thrust.³⁴ Monitoring systems to measure strategic performance are rarely maintained, and thus not sustainable, in developing cities (this is also frequently true of developed cities). Thus an appropriately funded, mechanism must be established to ensure continued operation of the monitoring system, otherwise it will surely die.

³⁴ Flood, J., *Urban Indicators for Thailand*, Bangkok: NESDB, Government of Thailand, 1999.

7.7 Awareness Building.

If a City development Strategy is to be successful, it needs the support of most of the community, and especially key stakeholders. To achieve this, the Vision, and information concerning identified strategic thrusts needs to be disseminated throughout the city region. This should be done through a mix of media, which will vary from place to place. In some cities, an interactive internet website (that solicits feedback) will be a powerful agent to diffuse strategic concepts, in many African cities, radio will be the dominant medium. Other media that have been used successfully worldwide include newspaper inserts, models, exhibitions, and video shows in high traffic areas, e.g., city bus terminals, television, public meetings, etc.

During the awareness building, “buy in” campaign, strategic thrusts should be modified based on useful feedback. Additionally, groups or individuals are likely to step forward offering their energies or capital in effecting the strategy. Early stage strategy dissemination processes can ask the question, “what did we miss that is important?” It is critical that the population understand that the strategy is important, that it means something, that the city’s leaders in the government, private, and third sectors, are taking it seriously, and that it will lead to action.

7.8 Implementation

A CDS is of no value unless it is implemented. To do this, an Action Plan needs to be formulated. As noted above, the action plan should be based on cross-cutting Actions, i.e., sets of actions that involve several agencies or enterprises. The Action Plan will require technical input, but within each strategic thrust area, task forces (see below) of local experts should be put in place to turn action plans into rolling operational realities.

Implementation Task Forces should be established to implement each strategic thrust, i.e., approximately five task forces would be set up. Identification, and means to procure, resources required to implement actions should be a key element of the Action Plan, with financial and economic analysis justifying the proposed resource allocation. Procuring financing will be a key responsibility of these task forces. They will need to identify, assess, and chase sources of finance, be entrepreneurial and enable innovative financing, e.g., public private partnerships. They will need to chase property developers, bankers, and investors to finance catalytic initiatives. At the same time, the task forces, to be credible, will need to be known for integrity (lack of corruption) and processes should be transparent.

The Action Plan will clearly indicate who (which agency) is responsible for what, timelines and milestones, and expected inputs, outputs and results (impacts). Conflict resolution processes need to be established to deal with conflicts in implementation of strategic thrusts, to minimize disruption caused by public disputes and escalation of conflict, which will undermine the whole CDS process. Key indicators to monitor results should be refined, based on the specifics of the Action Plan. Importantly, the monitoring system to track strategy implementation performance would be initiated at this time.

To get CDS implementation off to a good start, emphasis should be placed on early rapid implementation of high profile initiatives that have low risk. Riskier initiatives can be implemented later. For example, Penang, in implementing its highly successful city development strategy, set up an electronics plant with its own funds to show that locals could perform well as electronic assembly workers and to train an initial set of workers (see Box 6.)

PART THREE

8. What constitutes a good City Development Strategy?

(i) Strategic thrusts are the product of high quality rapid assessment, the Vision, and SWOT analysis. The thrusts follow logically from the foregoing. Thus it is internally consistent

(ii) It consists of a limited number of strategic thrusts, the product of tough choices. In a good strategy, *nothing is of equal importance*.

(iii) It is realistic, but challenging.

(iv) Because it focuses on a limited number of actions, the CDS has a high probability of producing results.

(v) Achievement is measurable, and is measured, using a set of lean, powerful results-oriented indicators.

(vi) Strategic thrusts are cross-cutting, rarely is a strategic thrust implemented by one agency. Different types of agencies, enterprises, and actors, different modes (e.g., public sector delivery, public-private partnerships, changed household behavior motivated by changed incentive structures, awareness campaigns) are utilized to implement strategies.

(vii) Responsibility for implementation is clearly defined, against definitive targets and timelines. Champions need to be identified to push implementation of each strategic thrust.

(viii) Incentives are in place to drive performance – to institutions and individuals that excel in strategy implementation. These can take a variety of forms, e.g., financial, awards, and community recognition.

(ix) Flexibility exists within the strategic framework to adapt and change tactics as conditions change, but the Vision remains constant.

APPENDIX 1: LIVELIHOOD THEMES

CDS assessments should address a subset of the following:

1. Business Climate

1.1 Incentives offered by the local jurisdiction. Some incentives are wasteful, e.g., business service firms are more sensitive to personal income tax rates that help to retain and attract talent, whereas manufacturing firms are more sensitive to land costs and tariff structures (obviously a national function). CDS assessment should critically examine incentives offered businesses to locate, stay, and expand in the locale, to ensure that the most cost-effective approaches are being taken, location incentive programs are expensive and have to be targeted very carefully in order to be effective; furthermore, international trade agreements associated with the WTO increasingly limit the types of location incentives that can be offered.

1.2 Nuisance taxation. As decentralization, a trend in most developing countries, results in local governments having more latitude to tax, such powers are often abused or applied in counter-productive ways. Nuisance taxation, frequently border line illegal, will discourage firms from locating, drive others away, and discourage new business start-ups. Properly designed systems of local taxation and user fees that improve the supportive environment for business will have the opposite effect in terms of the business environment.

1.3 Ease of business start-ups. The World Bank and analysts such Hernando de Soto have undertaken considerable work on business start-ups.³⁵ Although much red tape involved in business start-ups is imposed by national governments, outside local control, a big part of the problem lies with local governments who add on their own bureaucratic hassles for local permits, local taxes with low cost-benefit value, etc. There appears to be a direct correlation between urban economic success and the amount of time required to start a business, that is, it is generally more difficult to officially start businesses in poor cities (in many developed cities, a company can be legally established in a day, or even a few hours). In poor cities, particularly in Africa, the decline in formal employment can be partly attributed to difficulties associated with formalizing businesses – if the barriers to formal business creation are substantial – there will be few business start-ups. CDS assessment should document the time it takes to start a business (de Soto has done this in his research, thus a methodology exists), the number of steps involved, the cost (including costs of corruption); CDS analysts can work through the process with a local start-up case study to obtain accurate information.

1.4 Investment approval processes for foreign firms and joint ventures. These processes vary widely among cities worldwide. For example, in some Chinese economic zones one stop service can result in approvals in less than a day, in other cities of the world such processes can take over a year, to the point where MNCs give up, and go elsewhere.

1.5 Operating environment of informal sector. Laws and regulations affecting operations of small informal businesses, e.g., street vendors, repair services operating in residential areas, etc.

1.6 Government attitudes toward the informal sector. Is the local government supportive of the informal sector and livelihood expansion within it, or does it view the informal sector as a problem? Cities such as Wuzhou in China that have encouraged informal sector activity, but at the same time introduced human resource and small business development programs to upgrade such activities, have often experienced positive impacts.

³⁵ De Soto, H., *The Mystery of Capital*, New York, Basic, 2000 (Chapter 2).

2. Competitiveness

2.1 Basic economic trends. Time series data on employment and output by key sectors and clusters. Income (per capita and household) trends.

2.2 Degree of diversity versus specialization. In general, smaller cities benefit from diversity because they are more vulnerable, whereas larger cities should strive for specialization in activities in which they are globally competitive.

2.3 National and world class economic activities. Does the urban area engage in any activities in which it is a national or global leader? Often cities with low profiles will be a world or national leader in a given activity. Often such activities show up as clusters, which become learning systems.

2.4 Productivity gains. What is the labor and capital productivity record (returns to labor and capital) of the city?

2.5 Economic mix and change. Is the mix of economic activity in the city associated with fast growing activity nationally and internationally. Simple measures such as shift-share can be used to measure a city's economic mix, if data is available. How fast is the economy changing, and is it moving toward a higher value mix? In turn, controlling for mix, is the economy performing better or worse than expected relative to national and regional norms?

2.6 Movement up the value chain and cluster deepening. Are local firms and clusters moving up the value chain? How? Are clusters deepening, i.e., are more suppliers and more sophisticated suppliers emerging? Is the local, national or provincial (state) government actively attempting to recruit firms that would deepen local clusters?

2.7 Rate of start-ups and business deaths. At what rate are new businesses, formal and informal, being created? How conducive is the environment for new firm creation?

2.8 Foreign Direct Investment (FDI). What is the track record for foreign investment over the last 10 years? To what activities is FDI flowing, manufacturing, real estate, trade etc.?

2.9 Innovation. What types of innovation are occurring in the city? In assessing innovation, assessment should not be limited to so-called high tech firms. A garment industry can as easily display innovation as a software cluster, e.g., development of high value fashion clusters as in Milan, Bangkok. Unless there is innovation, leading to productivity increases, it is impossible for a city to increase its competitiveness, gains from additional application of labor and capital in isolation will not translate into greater competitiveness in the long run. Total factor productivity needs to improve.

2.10 Performance of anchor firms. Are leading firms that anchor clusters growing quickly or are they stable, are they moving up the value chain, are they encouraging growth of suppliers? Are anchor firms in industries and clusters growing faster or slower than international and national norms (shift-share)? Are any anchor firms threatened by oversupply of the product they produce or technological obsolescence of their product, e.g., firms producing chemical photographic films? In such cases, are new product lines being introduced to substitute for obsolescence in other product areas?

2.11 Labor market efficiency. How is information concerning labor opportunities disseminated? Does the local or national government operate efficient labor information centers? Do private labor matching services operate? How efficient are these services, both public and private? How many people do they place annually, in absolute terms and as a percentage of the labor force?

2.12 Marketing and promotion. How does the city market and promote itself, given that about 10% of advertising expenditure in middle income and developed jurisdictions is used to market place? What attributes, clusters, or activities are at the center of marketing efforts, e.g., tourism, manufacturing investment opportunities, locational incentives? To what extent is this marketing targeted, e.g., to cold climate tourist markets if the city has a sub-tropical or tropical climate? What media are used to market place? To whom? How successful is this marketing?

2.13 Attracting talent. What policies are in place attract talent? How successful are these policies in terms of number of talented individuals attracted to the city? Are national immigration policies conducive to attracting international talent, or do they constrain such flows?

3. Human Resource Development

3.1 Educational quality and quantity (enrollment at various levels). Measured using key indicators. Quality is as important as quantity.

3.2 Education – economic alignment. The degree of alignment between emerging economic activities / clusters and local educational curricula, particularly technical.

3.3 Access to education. Access to education, particularly by the poor and migrants. Barriers to access, e.g., financial, admissions procedures, information, and local registration requirements, which make it difficult for children of migrants to enroll in schools, a common problem in peri-urban areas in some countries).

3.4 Financial support to students. Financial support to lower income children to attend school, including student loans.

3.5 Access entry level jobs. The existence of courses in occupations with minimum barriers to entry and increasing consumer demand, e.g., drivers, barbers. Access conditions (cost, information, location) to these courses.

3.6 Labor market geographic accessibility. What are the mean (average) time and financial costs of traveling from home to employment, particularly for lower income residences?

APPENDIX 2: IMPROVING ENVIRONMENTAL QUALITY, SERVICE DELIVERY, AND ENERGY EFFICIENCY

CDS assessments should address a subset of the following:

1. Environmental Quality

1.1 Air pollution. Is air pollution increasing or decreasing, measured in terms of key indicators, e.g., suspended particulates? What are the health implications of air pollution, particularly in terms of respiratory disease, measured in years lost to work, mortality? What set of measures would be most effective in drastically reducing air pollution, e.g., closing firms exceeding emission standards, changes in fuel and automobile standards (normally national government functions), introducing polluter pays policies, banning certain fuels (e.g., burning coal at street level, as Beijing did), etc.?

1.2 Waste water and water quality. Is water quality improving or declining in key water bodies in the urban region? What is the extent of waste water system coverage, including non-conventional systems such as community cistern and septic systems (which if maintained, can be more cost-effective in lower density urban areas such as peri-urban areas; the practice is well-developed in Japan)? At what percentage of capacity do existing waste water systems operate? If operating problems exist, which is the norm, rather than the exception, in most developing cities, is this the result of lack of sustainable finance (energy for pumping, chemicals), technical capacity, etc.?

1.3 Pollution sources. What and where are key point sources of air and water pollution? What would be the impact of closing the bottom x% of polluters?

1.4 Sustainability and safety of water supply. Is water supply sustainable or not, e.g., harvesting of groundwater, insufficient water to supply forecast demographic and economic growth? What is the safety of water for human use, is it subject to toxic accidents (e.g., Harbin 2005)?

1.5 Loss of agricultural and environmentally sensitive land. What is the annual loss (and time series trend line) of Class A agricultural land to urbanization? What are the implications in terms of agricultural production (by value and key crop output) in the Extended Urban Region? Have measures been taken to limit this loss, e.g., growth boundaries, land quotas, zoning steering urban expansion away from Class A agricultural land? How effective have these measures been? If a problem, is it a result of poor policy design, or lack of enforcement? To what extent is land being removed from environmental sensitive uses (through conversions to urban uses), e.g., wetlands, steep sloped land, land of scenic or heritage merit?

1.6 Amenity. Particularly in the case of middle-income cities, how attractive is the city, to residents, tourists, investors, retirees, students, potential in-migrant talent?

1.7 Natural hazards. What natural hazards threaten the city? What can be done to lower risk in terms of land use, emergency preparedness, building codes, etc?

2. Service Delivery and Policy Frameworks

2.1 Demand for services. Socioeconomic trends, particularly demographic, underpinning the demand for public services, e.g. population growth relative to the supply of basic public services.

2.2 Delivery of basic needs. To what extent are basic needs (water supply, garbage pickup, basic sanitation, electricity supply) being met, i.e., percentage of the population served (coverage)? Are low income neighborhoods served? What are the trend lines in terms of coverage? Are user fees charged? Are the user fees sufficient to ensure sustainable delivery of basic services? Are basic services affordable (what percentage of the population can afford a given service)? Are rate structures customized according to neighborhood economic status, ability to pay, etc?

2.3 Health, education, literacy status. What is the health education, and literacy status of city residents, measured using key indicators, by sub-areas of the city, and by household economic cohorts (if data available).

2.4 Quality of basic services. Quality of basic services, e.g., primary education and health care, measured against benchmark institutions in comparable cities.

2.5 Delivery of services to migrants. Are services available to migrants in both core city slums and peri-urban areas? If not, what precludes access, e.g., local registration requirements, lack of local facilities and programs or capacity at these facilities?

2.6 Public health. What are the key causes of sicknesses and death? How healthy are the city's residents compared with other cities at a comparable level of economic development? What are rates of infectious disease, such as HIV-AIDS? How effective are programs to address infectious disease, how could they be improved? How prepared is the city for new health threats, e.g., an influenza pandemic. What are traffic death and injury rates? What measures are being taken to reduce traffic deaths among pedestrians, bicyclists and motorcyclists, and vehicle occupants?

2.7 Efficiency in delivery of environmental infrastructure. Are appropriate technologies being used to deliver basic environmental services, such as provision of potable water, solid waste disposal, given physical conditions and the level of economic development? Are the unit costs of infrastructure delivery (both capital and operating) higher or lower than in comparable cities?

2.8 Maintenance. How well are environmental systems maintained, measured in terms of percentage of capacity operating?

2.9 Energy and environmental policy frameworks. What are the policy frameworks facing firms, households, infrastructure providers in regard to behavior affecting environmental quality, resource and energy consumption? (See Figure 3.) Are they enforced? What changes in policy frameworks would have the greatest positive benefits, bearing in mind that greater economic benefits can often be realized by changes in policy frameworks (e.g., user fees for garbage pickup over a certain weekly volume) than by capital expenditure (e.g., building additional landfills).

3. Energy Efficiency

3.1 Energy efficiency. What is energy consumption (latest year available and time series) per capita, per unit of GDP, by key industrial processes in the city, by energy source?

3.2 Urban form and energy consumption. Is the existing urban form energy conserving? What financial savings would be realized through changes in urban form, particularly through lower transportation costs and unit costs of infrastructure delivery? What is the current level, and trends, in terms of density and sprawl as measured by conventional urban density, sprawl, and form quantitative indicators?³⁶ Such indicators were used effectively in assessment work for the Chengdu CDS.

3.3 Demand management. In managing energy consumption, what is the balance between demand management and supply enhancement strategies? How is demand managed? How is new supply determined and financed?

³⁶ Schneider, A, K. "Seto, D. Webster, J. Cai, and B. Luo, *Spatial and Temporal Patterns of Urban Dynamics in Chengdu, 1975-2002*, Stanford: Stanford University (Asia Pacific Research Center), 2003 (Discussion Paper) (<http://APARC.stanford.edu>).

APPENDIX 3: SPATIAL FORM AND INFRASTRUCTURE

CDS assessments should address a subset of the following:

1. Infrastructure

1.1 Infrastructure delivery performance. How, and by what institutions (public and private), are key infrastructure services delivered? What is their performance record in terms of coverage, reliability, cost-effectiveness? How are infrastructure services regulated?

1.2 Infrastructure delivery modes. What changes are being considered in terms of infrastructure delivery and maintenance?

1.3 Planned infrastructure. What important new civil and environmental infrastructure is coming on stream: under construction, committed, planned?

1.4 Trunk infrastructure and urban form. How important is trunk infrastructure, e.g., sewers, expressways in shaping the city?

1.5 Housing supply and demand. How many new housing units (formal and informal) are produced annually (time series data)? Trends in terms of (i) property prices, (ii) building permits issued, and (iii) housing vacancies.

1.6 Affordable land and housing. Where is land available at a reasonable price for affordable housing? Is this the result of market forces, or government subsidies? Is this land readily accessible by affordable transportation to key employment nodes in the city? How is it serviced?

1.7 Transportation networks. Identify major transportation infrastructure networks (existing, planned committed), particularly expressway and mass transit networks. Is the expressway network predominantly radial or ring road in shape? Which came first, radial or ring links, and how did this sequencing affect urban form? What has been, is, and is likely to be, the relationship between development of major transportation networks and land use? How do inter-city routes (highways, rail) affect the structure of the city? Are road systems being managed pro-actively, e.g., intelligent highways, road pricing, HOV lanes, or are they being left to laissez-faire use?

1.8 Public transportation facilities and services. What types of public transportation exist, both formal and informal, e.g., heavy and light rail, bus ways, traditional bus systems, flexible van systems often operated by the private sector (the fastest growing form of public transit worldwide, both in developing and developed cities)? Are informal public transportation operators, such as van operators connecting employment and residential nodes, harassed or encouraged? Are they regulated for basic safety compliance? What is the route network, service quality, etc., of public transportation systems? What percentage of the population uses public transport (widely defined), especially for travel to/from work?

1.9 Urban nodes and public transport demand. Are there significant employment / commercial / residential nodes that would justify rapid transit systems to connect them?

1.10 Major transportation facilities. Identify major transportation facilities, particularly airports, seaports, and rail terminals (including high speed rail, inland container terminals). What is the relationship between these facilities and past, present, and emerging land use? In particular, are high population and employment densities associated with areas proximate to transportation facilities? If not, what can be done to encourage such a dynamic?

1.11 Movement of goods. Can goods be moved to/from the nearest port and airport reliably and quickly, and at what time and financial (per unit) costs? Congestion can deal a heavy blow to competitiveness, especially to manufacturing firms based on just-in-time processes. For example, the CALA peri-urban area south of Manila has suffered considerable loss of competitiveness (relative to Bangkok and Chinese coastal cities) largely because of congestion, the product of a lack of EUR and Metropolitan scale planning and infrastructure implementation.³⁷

1.12 Telecommunication services. How reliable are telecommunications services? Are they priced competitively? Increasingly, telecommunication costs and reliability are an important factor in urban competitiveness. (Some cities, such as Singapore, charge telecommunications services at extremely low rates (with laws in place to prevent abuse, e.g., preventing unjustified hotel surcharges on telecommunication services), realizing their importance in enhancing competitiveness. At the other end of the spectrum, some cities, e.g., many in Sub-Saharan Africa have high cost telecommunications systems that virtually ensure large scale manufacturing will not develop, even if other factors are in place.) How reliable are broad band and wireless high-speed internet services? Does the national government block certain information or otherwise interfere with free transmission of information? What is the rate of mobile phone penetration among the population? (Mobile phones have extremely high rates of economic return, diffusing market and logistics information, etc., especially to the poor.)

2. Spatial Form

2.1 Formal and informal spaces. Is the city essentially formal and modern in terms of physical structure, or is it predominantly informal with a small modern downtown? The title page illustrates typical sub-Saharan urban structure, in this case Nairobi, with the “modern” city, including the CBD, being small, and in sharp contrast to the rest of the built environment.

2.2 Urban density. How dense is the city? Is there steep density fall-off to the periphery, is the density slope flat, or is it a “U” shape reflecting higher densities on the edge as land values have risen in recent years?

2.3 Land and property value gradients. What is the slope of land and property value (residential, commercial, industrial) gradients from the center of the city outwards?

2.4 Land and housing markets. Describe the behavior of land and housing markets over time in the city. How efficient are these markets?

2.5 Monocentric versus multi-nodal form. Does the city have a strong Central Business District (CBD), or is it multi-nodal in structure with a weak CBD?

2.6 Peri-urban spatial form. Is peri-urban development contiguous, i.e., a continuation of the built up area, patchwork in nature, or focused around satellite cities? What are the energy, congestion, and competitiveness implications of physical development on the fringe?

2.7 Location of the service economy. Are high-end business and professional services (to the extent that they exist) concentrated in the CBD, as in most developing cities? Or, are they located in edge city nodes, as in the United States, and increasingly in some developing cities such as Beijing?

³⁷ Webster, D., *On the Edge: Shaping the Future of Peri-urban Asia*, Stanford: Stanford University (Asia Pacific Research Center), 2002 (Discussion Paper) (<http://APARC.stanford.edu>).

2.8 Spatial distribution of employment and economic output. What and where are the major economic nodes (measured in terms of employment, economic output) in the city, e.g., industrial parks, science parks, office complexes, economic clusters, etc.? How is the spatial distribution of employment and economic output changing?

2.9 Social geography. Where do the richest people live, the poorest? What neighborhoods are in decline, which are in ascendancy, i.e., becoming fashionable? What times of social issues are associated with specific areas of the city? Are certain areas of the city associated with specific ethnic, religious, or linguistic groups?

2.10 Geography of poverty. How is the *geography of poverty* changing? For example, in many fast-growing middle income cities, e.g., in Southeast Asia, the geography of poverty is changing dramatically, the poor are increasingly found in peri-urban areas where manufacturing enterprises locate, and less in inner city areas. Or is the geography of poverty relatively static, with poor neighborhoods densifying, as is the case in many Indian cities?

2.11 Location of slums and squatter areas. Where are slum areas located? Is the pattern one of many mini-slums or vast slums such as Klong Toey in Bangkok or Davari in India? What is the absolute population living in slum areas; what percentage of the city's total population live in slums? Is the mean population size of slum areas increasing or decreasing? For example, is there a proliferation of "mini-slums", or do large slum areas account for high percentage of the slum population. Are slum areas contested in terms of leadership, ethnic groups, etc.? To what extent is tenure of residents secure? Which slum areas are being upgraded, which are becoming worse in terms of living conditions? Why? Are slums disappearing in certain areas? How and why? What has happened to the former residents of these areas, did they move to other slums or "graduate" to middle income neighborhoods?

2.12 Land readjustment. Is land readjustment, which can generate win-win outcomes occurring in the city? Is there potential for land readjustment, either in the city center or at the periphery? If not why not, e.g., lack of trust in regulatory frameworks or capacity of local governments to oversee such arrangements, guaranteeing the rights of all participants?

2.13 Destination of migrants. Where do migrants tend to settle? Why?

2.14 Geography of investment. Which areas of the city are experiencing investment, disinvestment (as is the case in parts of many developing cities, e.g., Manila)? Why?

2.15 Congestion. Which parts of the city are most congested? What can be done to alleviate this congestion, bearing in mind that high densities and congestion need not be correlated? (Congestion is density that is poorly managed, smart urban growth is high density well-managed.)

2.16 The knowledge economy. Where are the most important knowledge clusters in the city? Where are ideas exchanged, e.g., universities, high tech campuses, transaction rich environments, key café and pub areas? Have universities spun off nearby science parks, knowledge entrepreneurs, incubation facilities, etc? If so, are they geographically proximate to universities and specialized technical institutions? If not, why not, e.g., lack of nearby land and facilities?

2.17 Expansion vectors. In which directions is the city expanding most rapidly, i.e., where are the key vectors of expansion? What is the relationship between land use and urban structure plans and actual on-the-ground physical development patterns?

2.18 Street life, entertainment, and recreation. Which parts of the city have the most active street life? Where are the entertainment areas, for families, for individuals, by day, by night? Are recreational areas accessible to the poor, to residents of the core city, or are they concentrated on the periphery?

APPENDIX 4: FINANCIAL RESOURCES

CDS assessments should address a subset of the following:

1. Local Government Financial Resources and Institutional Structures

1.1 Local government budgets. Over time, how has the size and composition of the local government(s) budget changed? This would include tables of revenues and expenditures over the last five years (or if more appropriate: last full economic cycle) and forecasts of expected revenues and expenditures, based on differing assumptions (scenarios). This analysis would distinguish between new borrowings, debt repayment, and also between capital and current expenditure/revenue. A statement of accounting standards would be attached.

To what extent (projects, programs, monetary value) has the local government leveraged its resources through innovative financing mechanisms such as BOT, BOO, public-private ventures, etc.?

1.2 Local government revenues and expenditures. Over time, how have revenues and expenditures changed? Has the source of revenues changed? This analysis would include description of each tax and rate-setting powers, description of user fees collected, tax and other revenue arrears, and a description of non-recurring revenue sources, e.g., asset sales and privatizations.

1.3 Capital planning. Capital improvement plans of the local government(s) and investment policies. To what extent have past capital improvement plans been executed?

1.4 Off budget revenue and expenditures. How large is off-budget revenue (e.g., revenue from concessions, sales of land, etc., not included in the formal budget) and expenditure compared with the formal budget? How is this money spent? Is off-budget revenue and expenditure transparent?

1.5 Transfers. Over time, to what extent has the amount and relative importance of transfers (from national or other senior-level governments)? On a per capita basis, how does the amount of transfers compare with other cities in the country? Is the city entrepreneurial in lobbying for transfers or prefers self-sufficiency, e.g., wanting to avoid conditions attached to specific grants?

1.6 Extent and impacts of decentralization. Is the national government implementing decentralization (fiscal, administrative, political). If fiscal decentralization is ongoing, is it based on changes to both expenditure and revenue mandates, or mainly expenditure (as is normally the case). How is decentralization affecting local public sector revenues? Is it resulting in more or less local revenue generation? (Many decentralization frameworks facing developing cities offer little or no incentive to raise local revenues, and some, as in Indonesia or the Philippines, may actually discourage local revenue generation.) How is the city faring fiscally relative to other cities in the nation as decentralization proceeds?

1.7 Debt. What is the debt load and service of the city? What is the city's repayment performance? What conditions constrain (further) borrowing by the local government(s)?

1.8 Access to credit. Does the local governments issue bonds? Do local governments have access to on-lended or pooled funds (through mechanisms such as Municipal Development Funds)? Has the local government(s) borrowed from these facilities? If so, how much, over what time period?

1.9 Credit rating. Is there a credit rating service for local governments operating in the country? If so, what is the credit rating of the city and how has it changed over time?

1.10 Autonomous bodies. Within the city are there fiscally autonomous or semi-autonomous enclaves, e.g., special economic zones, industrial parks, science parks?

2. Mobilizing Non-Government Capital

2.1 Impact of land readjustment. How much capital could be attracted if land readjustment involving high quality development were undertaken in key well-located neighborhoods, especially slum areas? What policy measures, trust and awareness building, and other measures, would be needed to unleash this capital through land readjustment processes?

2.2 Impact of land tenure. How much additional credit would flow to informal housing areas if land tenure were ensured? What policy measures are needed to unleash this flow of capital?

2.3 Housing credit. Is credit readily available to low-income households for purchase of housing. (This varies widely among countries after controlling for income.) Is this credit available through the commercial banking system? To what extent is government involved, e.g., through special institutions such as housing banks, provision guarantees, etc? What is the monthly household income threshold that enables a household to purchase a basic house in the metropolitan area?

2.4 Financing local infrastructure. Do consumers of housing and other buildings pay for the cost of local infrastructure through special tax assessments etc. (repayable through mortgages) or do buyers get a “free ride” from overall city revenues or suffer from lack of local infrastructure? (See Figure 5.)

2.5 Micro finance.³⁸ What is the amount of micro credit dispersed annually (most recent year for which data is available in the city, plus time series data)? What is the total amount of micro credit in circulation? In allocating micro finance, which groups are eligible, or given preference, e.g., are women given preference? For what can micro credit be used? Is micro finance organized on a community basis or through different institutional mechanisms, e.g., worker co-operatives or trade organizations? How do levels of disbursement, repayment rates, and developmental impacts of micro credit compare with best-case cities? What changes in policy or public leadership would substantially enhance the flow of micro credit?

2.6 SME credit. Do commercial banks readily lend to small and medium-sized enterprises (SMEs) that are credit-worthy in terms of potential, but possibly not in terms of collateral? Or, is the commercial banking system biased toward large businesses?

2.7 Voluntary organization finance. How successful are third sector organizations (Voluntary Organizations [VOs], Non-Governmental Organizations [NGOs], etc.) in attracting funds? Are these funds used effectively; are such organizations financially transparent?

3. Private Sector Financial Flows

3.1 Foreign Direct Investment. How has the size and composition of FDI flows to firms operating in the city changed over time?

³⁸ For detailed information on micro finance, see: Ledgerwood, J., *Sustainable Banking with the Poor: Microfinance Handbook*, Washington: The World Bank, 1999.

3.2 Domestic investment. How has the amount of domestic investment in productive enterprises changed over time, both in aggregate and by sector/cluster? Do companies operating in the city reinvest profits or do they leak out? What policy actions would increase the flow of capital into productive activity in the city, including incentives to reinvestment of profits earned through economic activity in the city?

3.3 Commercial banking flows. Based on central bank data, does the city experience net inflows or outflows of capital through the commercial banking system? What can be done to improve performance in this regard?

APPENDIX 5: GOVERNANCE

CDS assessments should address a subset of the following:

1. National Urban Policy Frameworks

1.1 National urban policy frameworks. What are the national urban policy frameworks facing the city? Undertaking this work is difficult because most national policy frameworks impacting urban areas are both explicit, e.g., grants for urban mass transit systems, and implicit, e.g., international trade or corporate taxation policies. Of particular concern are powers of the national or other senior governments related to: (i) financial and debt oversight, (ii) service provision, (iii) financial autonomy and debt issuance, including foreign currency or debt restrictions, (iv) environmental regulations, (v) privatization, and (vi) pending or proposed legislation that impacts revenue sources, issuance of debt, pledged security, operation of utilities, or shifts in service mandates of local governments.

1.2 Local priorities and national frameworks. How do local priorities align with national frameworks? Do they reinforce potential CDS strategic thrusts or inhibit it? If the latter, should such national policies be taken as a given, or should efforts be made to change (through urban political power, lobbying, etc.) such policies. (Urban areas tend to be quantitatively under-represented virtually world-wide in terms of member of parliament, etc., relative to urban population share.) The larger and more economically and politically powerful a city, the greater its potential to exert pressure to modify national urban policy frameworks.

2. Institutional Structure and Processes of Local Government

2.1 Local government structure and processes. What is the structure of local government (organizational chart)? How are decisions made? To what extent is this structure determined by national laws, to what extent has it been, and can be locally customized? If the latter, is the present structure and process consistent with contemporary issues and needs, or more a reflection of past realities? Later in the CDS process, what changes are needed in governance structures, processes, network enhancement, knowledge generation and transfers to effect the strategy?

2.2 Appointment of officials and governing bodies. Which officials are elected locally, appointed? What are the electoral procedures for governing body and chief elected officers? Is the local government led by independent representatives or are leaders representatives of political parties? Are these political parties nationally organized? If so, is the local leadership aligned with the ruling national party? Does this situation have implications for implementation of the strategy?

2.3 Corruption. What is the level of corruption in local government(s)? What can be done to reduce corruption?

3. Role of Local Government in the Context of Decentralization

3.1 Decentralization impacts on local government. Determining the effects of the decentralization framework on city finances requires information on the following:

- (i) The size of the transfers and their relative share of the city's operating revenues
- (ii) The degree to which the decentralization framework motivates or discourages local revenue generation.

- (iii) The extent to which transfers are earmarked for specific purposes (earmarked) or can be used to fund operations and debt service
- (iv) Revenue sources that have been legally delegated to the city
- (v) Flexibility of the city to effectively adjust its tax sources and levels in response to changing economic conditions
- (vi) Legal and political risks associated with the national revenue-sharing system
- (vii) The direction of any changes in the decentralization framework (toward more or less decentralization)
- (viii) Functions (mandatory and optional) delegated to the city
- (ix) The size and type of mandated expenditures, e.g. public health, public education, public transportation
- (x) The degree to which operating expenditures may be funded by user charges, fees and taxes delegated to the unit, or earmarked revenues from another unit of government
- (xi) Whether the city can adjust its expenditure budget quickly under changing economic conditions.

4. Metropolitan Governance

4.1 Inter-jurisdictional cooperation. How are functional responsibilities assigned horizontally, e.g., between municipalities and constituent districts and counties, and vertically, e.g., between municipalities, provincial, and national governments? Are measures in place to co-ordinate delivery of services on a metropolitan and/or extended urban region scale, e.g., special districts, councils of local governments, voluntary agreements among local governments, voluntary agreement motivated by incentives (e.g., matching grants from senior governments).

5. Capacity

5.1 Capacity and development priorities. Is the local government, in terms of staffing, power and prestige of different departments, etc., well aligned with the emerging economy and social issues? Often there is severe misalignment. For example, tourism is the world's largest industry, and one of the few service industries where developing countries enjoy comparative, and often competitive advantage. Yet, in many cities, government pays little attention to this sector, even when it is the most important, or one of the most important, in the urban economy. Similarly, the informal economy dominates in many developing cities, especially in sub-Saharan Africa, many South Asian cities, etc., but few government agencies exist to enable its performance.

5.2 Institutional strengthening and building priorities. What specific changes in government structures, institutional strengthening or building, are needed to improve performance? Later in the CDS process, the question should be asked in terms of implementing specific strategic thrusts.

5.3 Attracting and retaining talent. Is the local government attracting talented creative people? If not, why not? What could realistically be done to improve the situation?

6. Relationship to the Private Sector and Civil Society

6.1 Relationship to the private sector. What is the relationship between the local government(s) and the private sector, e.g., leading firms, property developers? In many cases, large firms, particularly multinationals, have enormous resources, including problem-solving skills, which can be useful to the community, but they operate in isolation from the local government, having closer relationships with the national government.

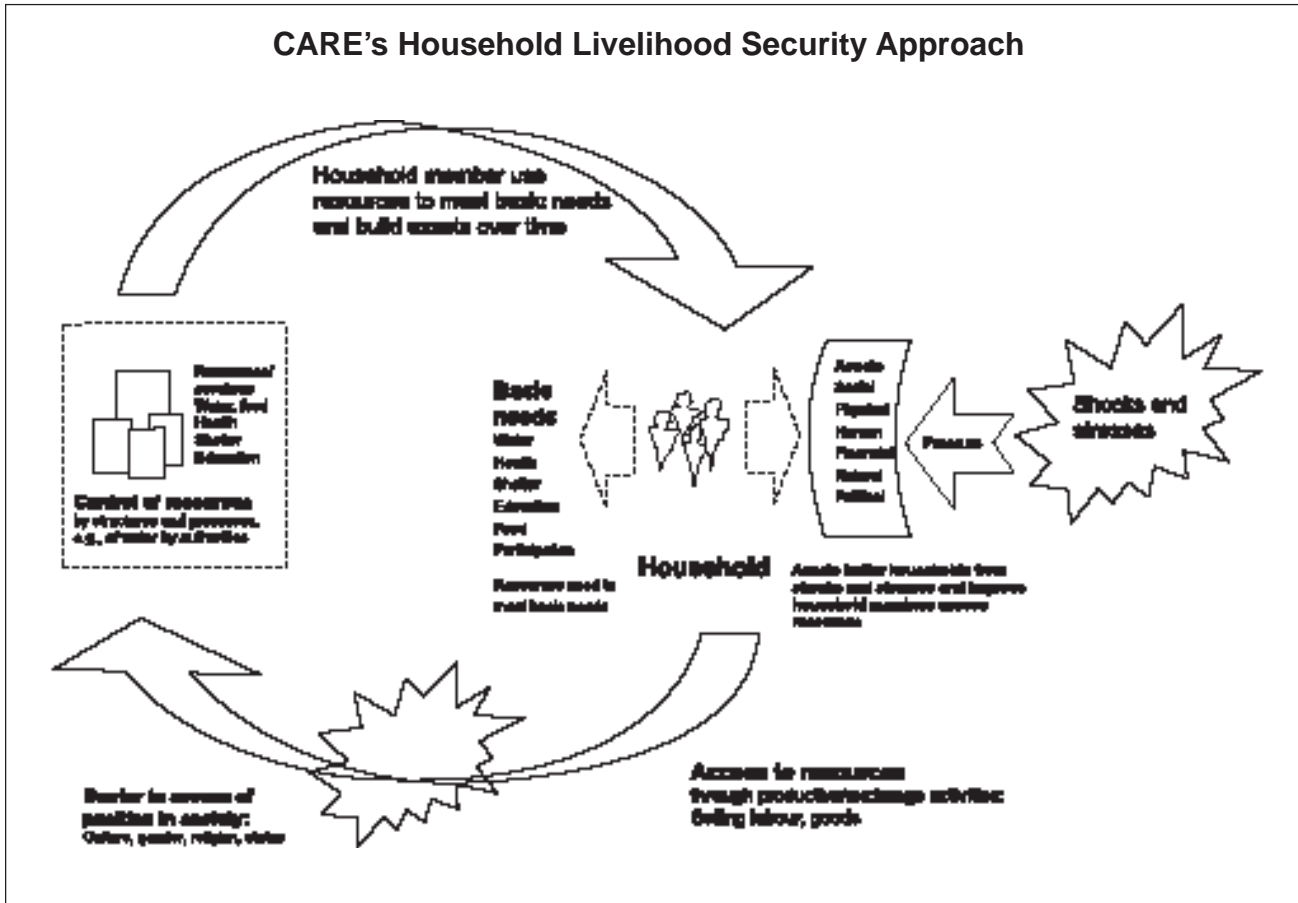
6.2 Modes of private sector cooperation. Does the local government engage in PPP, awarding of concessions, innovative finance such as Build-Own-Operate (BOT), etc.

6.3 Relationship with civil society. How strong are third sector organizations, local, national, and international? How does civil society cooperate and interact with local government in shaping the future of the city? What important is the role of civil society?

What is the character of the relationship between the local government and the civil society, enabling, hostile?

6.4 Local government capture. Have local government jurisdictions in the extended urban region been captured by specific interest groups? Peri-urban area jurisdictions are particularly vulnerable to capture by mafia type groups, business groups, and civil society organizations.

APPENDIX 6



Source: CARE

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