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 commodities[3]), 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 unserviced 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 multinodal, 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.