

Current donor approaches to urban development

December 1999 (2)

Institutional donors are developing new approaches to urban poverty reduction. For some - World Bank and UNCHS (Habitat) - this has meant the formulation of new directions. For others - DFID, UNDP, European Commission - work is currently underway.

All these organisations share common shifts in focus, away from exclusive 'hardware' infrastructure and services provision towards 'software' capacity building and institution building, and away from sectoral approaches to holistic/livelihood focused strategies.



Urban slum, Yamuna River, Delhi

Since 1998 several leading donor agencies have been reviewing their response to the growth in urban poverty. These include The European Commission, the Department for International Development (DFID), World Bank, United Nations Development Programme (UNDP), and the United Nations Centre for Human Settlements (UNCHS). Within all, 'there is a striking degree of consensus emerging among these and other donor agencies' regarding the agenda for sustainable urban development – an agenda which focuses increasingly on 'software' interventions, and on a more holistic approach. Several strands common in donor approaches can be identified:

- Encouraging partnerships between private sector, government and civil society
- Developing employment creation involving the urban poor
- Promoting urban governance, including engagement with civil society
- Strengthening urban management at local (municipal), city and national level
- Undertaking sector specific interventions within a holistic/integrated perspective
- Increasing emphasis on 'software' activities, eg capacity building
- Improving environmental quality.

Some recent donor activities include:

- **UNCHS (Habitat)** rebranding as the 'UN City Agency' – a move away from shelter (both rural and urban) towards city management. The direction follows on from the influential 1996 Istanbul 'Sustainable Cities' Summit. Aiming to focus more on advocacy, between 1999-2001 UNCHS will lead global campaigns concerning tenure and urban governance
- **The World Bank's** launching of its 'Global Urban and Local Government Strategy', emerging from its 'Vision of Sustainable Cities'. The Strategy is underpinned by 'four dimensions of urban development'

CARE International UK's urban briefing notes are aimed at exploring and sharing information related to urban development. For further information contact:

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Through its 65 country offices, CARE International works in some of the world's poorest towns and cities, including those affected by civil war, natural disaster and rapid change.

- **DFID's** renaming of the 'Engineering Division' as the 'Infrastructure and Urban Development Division' (IUDD) indicates a shift away from physical provision alone. IUDD is currently developing a livelihoods methodology concerning urban development
- **The European Commission** (DG VIII) has developed a 'light framework' for implementing urban projects, focusing on support for urban management and good governance. The framework is currently under review for field testing in 2000.

Joint initiatives in urban management between donors include:

- **Sustainable Cities Programme** (UNCHS with United Nations Environment Programme, UNEP) supporting Local Agenda 21 activities emerging from the Rio Earth Summit (1992). The programme 'builds capacities in environmental planning and management at the local level'. Products include the Best Practice database and Urban Indicators. <http://www.unchs.org/scp>
- **Urban Management Programme** (UNCHS, UNDP and World Bank). Launched in 1986, the UMP aims to strengthen regional, country, and city urban management capacities and improve the quality of urban management practices and policies. It has regional offices in Asia, Africa, Latin America and the Caribbean, and the Arab States. <http://www.sustainabledevelopment.org/blp/unchs/>
- **The Cities Alliance** partnership between UNCHS and the World Bank, which aims to mobilise US \$25 million over three years to support city development strategies. The Alliance's two foci are participatory slum upgrading and developing 'City Development Strategies (CDS) that link the process by which local stakeholders define their vision for their city with investment strategies for priority actions'. http://www.worldbank.org/html/fpd/urban/cities_all/citiesall.htm

The following notes provide a summary of current urban activities underway within DFID, the World Bank, UNCHS, European Commission and UNDP.



Department for International Development (DFID)

(No specific urban site. General site at <http://www.dfid.gov.uk/>)

DFID is currently developing a livelihoods approach to urban programming

The United Kingdom National Report presented for the 1996 Habitat II Summit in Istanbul states that, since the Habitat I Conference in 1976, the emphasis within DFID has been to shift from physical infrastructure and shelter projects towards assistance for social development, poverty reduction, and institutional capacity building. Current areas of particular importance are the improvement of urban health and education, creation of employment opportunities and community strengthening.

In the last year DFID has undergone significant changes in its urban strategy with resultant new activities. These include:

- The renaming of the 'Engineering Division' as the 'Infrastructure and Urban Development Division' (IUDD)
- IUDD promotion of livelihoods as a programming approach, emerging first from the Natural Resources Division within DFID. The influential Sustainable Rural Development (SRL) model developed by Carney *et al* is forming the basis for development, as are papers produced by the Development Planning Unit (DPU) at University College London and others
- Support for UNCHS. DFID is one of the major contributors to UNCHS. DFID plays an active role in both supporting UNCHS whilst IUDD promotes the Habitat Agenda in programming
- Increasing support for urban programming: from £13 million to £51 million approximately by 2002 for urban activities
- New large scale urban activities, eg Andhra Pradesh Urban Services for the Poor (APUSP), known as the 32 towns initiative in Andhra Pradesh, CARE International's PROSPECT project in Zambia (£11 million approximately), and the Luanda Urban Pilot Programme (LUPP) in Angola

- Increased support for urban initiatives. These include:
 - the C3 Challenge Fund for urban programming in Southern Africa, beginning in 2000
 - an urban livelihoods budget line, due to begin in 2000
 - funding for research under DFID's Knowledge and Research (KAR) programme

- Recent reports, two of which are:
 - *A review of the UK's development co-operation activities in the urban sector*. Produced for the 17th Session of the Commission for Human Settlements in 1999 (the decision making body for UNCHS), the review presents achievements made by DFID projects in forwarding the Habitat Agenda
 - *Shaping the environment in the 21st century; from understanding to action and Urban environment resource book*, 1999, prepared for the OECD's Development Assistance Committee (DAC) on Development Assistance and Environment.

Regarding regional funding, due to the nature of bilateral aid, the urban focus depends for the most part on the country desk priorities. Funding criteria also depend on the country in question, eg India which has a prominent urban profile through its Urban Poverty Group (UPG). Currently about half of DFID's urban funding is in India.



Habitat
The City Agency
 of the United Nations

UN Centre for Human Settlements (Habitat)

www.unchs.org

In 1999 UNCHS rebranded itself as 'The UN City Agency' – a fundamental shift away from shelter (both rural and urban). UNCHS's main responsibility is the implementation of the Habitat Agenda - the Global Plan of Action adopted at the Istanbul HABITAT II conference.

To these ends the Centre focuses on its priority areas of shelter and security of tenure; urban governance; environment and infrastructure; and reduction of urban poverty. Habitat supports and works in partnership with governments, local authorities, non-governmental organisations and the private sector. In 1998, the Centre had over 200 programmes and projects underway in over 80 countries with an expenditure of approximately US\$ 100 million in 1996-97.

UNCHS's 1996 'City Summit', or The Second United Nations Conference on Human Settlements (Habitat II), held in Istanbul, served to highlight the urban agenda amongst donors and local and national governments – but to a much lesser extent NGOs. The two key themes were *Adequate shelter for all* and *Sustainable human settlements in an urbanising world*. The conference resulted in the Istanbul Declaration and the Habitat Agenda, which is used increasingly by other donors as the reference point for urban programming.

Whilst the conference was considered a success, for UNCHS the period following was turbulent: a financial crisis, lack of direction and changes of leadership led to a major review of its activities. Known as UNCHS's revitalisation, the review findings led to the urban focus being adopted and the formulation of a strategic vision: 'by focusing on its advocacy role and on the core issues of [Urban Governance](#) and [Secure Tenure](#), UNCHS (Habitat) will be able to make a vital and strategic contribution to meeting the challenges of urbanisation and poverty reduction'.

UNCHS maintains a good website, www.unchs.org, comprising information and links on urban management. Information includes The Global Urban Observatory (GUO), which aims to help governments, local authorities and their partner groups improve urban policy; also the Best Practices Database of good urban projects. www.bestpractices.org.

UNCHS's new focus as The City Agency marks a significant shift in focus away from shelter alone to urban management, tenure and good governance



World Bank

<http://www.worldbank.org/html/fpd/urban/>

The World Bank's first urban development interventions of the early 1970s focused on neighbourhood interventions such as slum upgrading and sites-and-services. In the 1980s the shift was towards municipal development and housing finance. While physical objectives were often met, reviews found that '(projects) failed to recognise sufficiently that achieving sustainable urban development requires a more integrated approach, across the physical environment, infrastructure networks, finance, institutional and social activities'.

In 1999 the World Bank published its Global Urban and Local Government Strategy (http://www.worldbank.org/html/fpd/urban/strategy/urb_str.htm), which aims to 'view the city holistically, as an integral unit of assistance and analysis, representing a specific spatial, social, political, environmental, financial and economic context—a microcosm of sustainable national development'. The strategy is guided by a *Vision of Sustainable Cities*, which proposes an agenda for working with both national and local governments. The strategy has four objectives or, in the World Bank's words, 'dimensions':

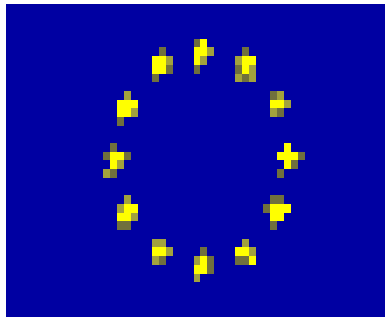
1. **Livability:** 'aimed at ensuring the poor achieve a healthful and dignified living standard', focusing on housing, tenure, credit, transportation, health care, education, environmental degradation, public safety and cultural heritage preservation
2. **Competitiveness:** improving productivity: 'providing a supportive framework for productive firms, to promote buoyant, broad-based growth of employment, incomes and investment'
3. **Good governance and management:** strengthening of local government and building partnerships with civil society organisations
4. **Bankability:** the adoption of clear and internally consistent systems of local revenues (taxes) and expenditures, transparent and intergovernmental transfers.

The language of the vision is a significant departure in perspective from earlier initiatives of the Bank, eg the *New policy framework* of the early 1990s, which focused primarily on macro economic and sectoral infrastructure issues and of policy impacts on the poor. Whilst not ignoring these interventions, the new vision emphasises the measuring success by how the poor's quality of life is improved; it advocates holistic interventions based on analysis of cities as comparable to countries in their complexity and diversity; and it states explicitly that partnerships, capacity building and empowerment are key strategies for implementation. It remains to be seen how the vision will operate in practice. To these ends however, four main activities proposed for the Bank's urban support are:

1. **Formulation of national urban strategies**, including identifying the economic roles and development requirements of different cities within countries
2. **Support to city development strategies:** facilitating participatory visioning processes amongst stakeholders, analysing economic prospects, and identifying priorities for action and external assistance
3. **Scaling-up programs of services for the poor**, 'including upgrading of low-income urban neighbourhoods based on community-based initiatives that are supported by a wide coalition of public and private sector partners'
4. **Enhanced assistance for capacity-building**, including 'supplementing municipal management operations by supporting intermediary networks, such as municipal associations'.

*The World Bank's
new Global
Urban and Local
Government
Strategy proposes
Cities without
slums, aiming to
improve the lives
of 100 million
slum dwellers by
2020*

Consultations are currently underway regarding developing an EC 'light framework' focusing on good governance and urban management



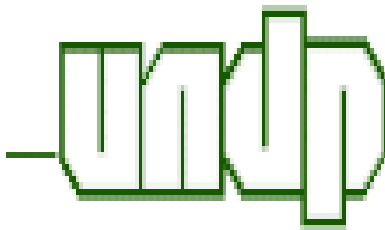
The European Commission

(no urban website found. General site
http://europa.eu.int/comm/index_en.htm)

In 1997 DGVIII began a consultation process for developing an urban strategy. The consultation group is known as the Urban Experts Group, and comprises about 30 academics, EC and member state representatives. Planning meetings have been held in Rome, Loughborough and Paris.

The purpose of the group is to develop a 'light framework' for use in country missions which adheres to the priorities of the UNCHS HABITAT II Declaration. A first draft document 'Sustainable urban development', accompanied by a Sourcebook, has been written and is currently in review. The document argues the case for focusing on urban development, describes the strategic framework and outlines the project management approach for implementing the strategy.

The framework goal is 'productive, equitable and sustainable cities'. The two strategic foci identified are support for good governance and the promotion of active urban management. Key components identified are: economic development; poverty reduction; social equity and quality of life; and environmental improvement and sustainability. The draft guidelines are currently undergoing review with the aim of field testing in the EC's Asia, Caribbean and Pacific region before finalisation.



United Nations Development Programme (UNDP)

<http://sdnhq.undp.org/ppp/>

UNDP raises funds, co-ordinates the activities of other UN agencies and co-operates with host governments in the identification of technical assistance and in strengthening national capacity to manage programmes. UNDP's urban co-operation focus on building and strengthening national capacity is in the following five areas:

1. **Alleviating urban poverty** by promoting income generation activities
2. **Providing urban infrastructure, shelter and services**, including maintenance, increased access by the poor to land, housing finance and construction materials, formulating national shelter strategies, and improving women's access to shelter, and urban basic services
3. **Improving the urban environment** in low income settlements
4. **Strengthening urban local government and administration**, including expansion of local governments' revenue-raising capacity and decentralising authority and responsibility for urban development from central government agencies and ministries to local governments and NGOs
5. **Promoting the private sector and NGOs**, including encouraging private initiative in the provision of urban housing, infrastructures and services, and privatising services including transport, and water and waste management.

UNDP's technical assistance to developing countries for urban development is provided in partnership with other multilateral agencies, eg the Urban Management Programme (UMP).

UNDP's programme of Public-Private Partnerships for the Urban Environment (PPPUE) is aimed at building partnerships between government, private business and civil society 'to pool their resources and skills to address the urban environmental challenges of the 21st century'. The main approach is participation: 'the only essential ingredient is some degree of private participation in the delivery of traditionally public services. To these ends PPPUE focuses on three key sectors: water and sanitation, waste management, and energy efficiency. Part of PPPUE is the Global Learning Centre which aims 'to tap into the global experience with public-private collaborations and provide an effective node for disseminating the lessons learned.' <http://sdnhq.undp.org/ppp/>.

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