SYSTEMS OF CITIES: HARNESSING URBANIZATION FOR GROWTH & POVERTY ALLEVIATION

THE WORLD BANK URBAN & LOCAL GOVERNMENT STRATEGY

July 2010

FINANCE, ECONOMICS & URBAN DEPARTMENT SUSTAINABLE DEVELOPMENT NETWORK

SYSTEMS OF CITIES: HARNESSING URBANIZATION FOR GROWTH & POVERTY ALLEVIATION THE WORLD BANK URBAN & LOCAL GOVERNMENT STRATEGY

TABLE OF CONTENTS

| ACKNOWLEDGEMENTS | V |
|---|----------|
| ACRONYMS AND ABBREVIATIONS | vi |
| Executive Summaryvi | iii |
| TAKING STOCK: A REVIEW OF THE BANK'S URBAN DEVELOPMENT ASSISTANCE | 1 |
| URBANIZATION IN A NATIONAL CONTEXT: A SYSTEM OF CITIES APPROACH | 5 |
| THEMATIC AREA 1: FOCUSING ON THE CORE ELEMENTS OF THE CITY SYSTEM | 7 |
| THEMATIC AREA 2: MAKING PRO-POOR POLICIES A CITY PRIORITY | l 6 |
| THEMATIC AREA 3: ENABLING CITY ECONOMIES | 21 |
| THEMATIC AREA 4: ENCOURAGING PROGRESSIVE URBAN LAND & HOUSING MARKETS 2 | 26 |
| THEMATIC AREA 5: PROMOTING A SAFE AND SUSTAINABLE URBAN ENVIRONMENT 3 | 33 |
| OPERATIONALIZING THE URBAN STRATEGY | 38 |
| References | 17 |
| Annexes | |
| A. Results Framework and Monitoring & Evaluation Plan 5 B. Regional Urban Program Strategies 6 C. Knowledge Products 5 D. Urban Portfolio Charts & Tables 5 | 52 36 |
| E. Referenced Analytical Figures & Tables |)6 |

TABLES, FIGURES AND BOXES

| Results Framework and Monitoring & Evaluation Plan | |
|--|----------|
| Table A-1: Timetable & Indicators for Monitoring Implementation of the New | |
| Strategy in the Bank. | . 55 |
| Table A-2: Urban Strategy Results Matrix (Global Dimensions) | 57 |
| Table A-3: Urban Strategy Results Matrix (Bank Contribution) | |
| Urban Portfolio Charts & Tables | |
| Figure D-1: World Bank Urban Development Lending | |
| and Share of Total IBRD/IDA Lending. | 88 |
| Figure D-2: Number of World Bank Urban Development Operations | |
| and Share of Total IBRD/IDA Operations | 88 |
| Figure D-3: Urban Development Lending by Region FY00 – FY09 | |
| and Regional Share of Total World Bank Lending | 89 |
| Figure D-4: Urban Sector Lending by Main Business Line, FY00 - FY09 | 89 |
| Referenced Analytical Figures, Charts & Tables | |
| Figure E-1: Urban Agglomerations by GDP Per Capita | 90 |
| Figure E-2: Phases of Urbanization in Colombian Cities. | |
| Figure E-3: Urban and Rural Population Growth | |
| Figure E-4: Urban Population Growth. | |
| Figure E-5 Projected Population Growth between 2000 and 2015 by Size | |
| Figure E-6: Urban Population Access to Improved Sanitation. | 92 |
| Figure E-7: Headcount Index (%) in Urban Areas Using a \$2/Day | |
| Poverty Line Compared to % of Population that is Urban | |
| Figure E-8: Urban Slum Population. | 93 |
| Figure E-9: Carbon Dioxide Emissions Compared with urban | |
| Population from 1967 – 2005 | 94 |
| Figure E-10: Countries with Most Urban Populations Living | 0.4 |
| in Low Elevation Coastal Zone | 94 |
| Figure E-11: Price of Land Compared to Floor Area | 0.5 |
| Ratio in a City in China. | 95 |
| Figure E-12: Land and Construction Cost Compared | 05 |
| to Floor Area Ratio in a City in China. | 95 |
| Figure E-13: Household Income Distribution and Housing Affordability in Addis Ababa, Ethiopia | 96 |
| Figure E-14: Sub-National Expenditures (% of Total). | 90 96 |
| Figure E-14. Sub-National Expenditures (% of Total) | |
| Figure E-15: Map of Population Density in Guangzhou, China | |
| Figure E-10: Map of Fobulation Bensity in Guangzhou, China Figure E-17: City Densities and GHG Emissions per capita | |
| Table E-1: Feedback from Client National and Local Governments | 90 |
| and Development Partners | 99 |
| Table E-2: Local Government Responsibility for Service Delivery | 100 |
| Table E-3: Capital Flows to Emerging Market Countries | |
| Table E-4: Innovative City Initiatives that Promote Sustainable Urban | 100 |
| Environment | 101 |
| Table E-5: Overview of Bank Urban Strategy Response to Key Challenges | |
| Table E-6: Urban & Local Government Strategy in a Cross-Sector Framework | |
| · · · · · · · · · · · · · · · · · · · | |

| Data T | Tables | |
|--------|--|-----|
| | Table F-1: Urban Population by Country | 106 |
| | Table F-2: Urban Poverty & Slums. | |
| | Table F-3: Urban Environment, Climate Change, & Disaster Management | 114 |
| | Table F-4: Urban Land Markets & Housing. | |
| | Table F-5: Economic Growth: Doing Business, Sub-national | |
| | Table F-6: Cities and Urban Areas Ranked by Population | |
| Urban | Thematic & Project Profile Boxes | |
| 1. | | |
| | in Medellin, Colombia | 125 |
| 2. | Gender Perspectives in Urban Development and Local Governance | 126 |
| 3. | Post-Conflict Reconstruction in Côte D'Ivoire | |
| 4. | City Service Delivery Surveys in the MNA Region | |
| 5. | Municipal Contracts: Aligning Central and Local Governments | |
| | with Incentives To Make Wise Urban Investments | 131 |
| 6. | Baan Mankong Urban Upgrading Project in Thailand | 133 |
| 7. | Moving from Social Safeguards to Proactive Social Policies | |
| | for the Urban Poor in Taiz, Yemen | 135 |
| 8. | City Systems in China. | 137 |
| 9. | Brownfield Redevelopment and Urban Regeneration in Central and Eastern | |
| | Europe | 138 |
| 10. | Local Economic Development in Aden, Yemen | 139 |
| 11. | Street Addressing. | 140 |
| 12. | Disaster Risk Reduction in Action: The Cases of Istanbul and Sana'a | 142 |
| 13. | Amman Solid Waste Management Project – Attracts Carbon Financing | 143 |
| 14. | ECO ² Cities: Ecological Cities as Economic Cities | 144 |
| 15. | Mainstreaming Disaster Risk Reduction Strategies at the City Level | |
| 16. | Sub-National Finance Program (SNFP) | 147 |
| 17. | Joint Railway Concession Project, Kenya/Uganda | 147 |
| 18. | Selected Profiles of Output Base Aid Approaches for Urban Upgrading | 148 |

ACKNOWLEDGEMENTS

The process of preparing this Urban and Local Government Strategy involved a wide range of contributors, including development partners, urban think tanks and planning institutions, and national and local government representatives. Within the Bank, regional team members were appointed and discussions with various Bank sector boards and networks organized to provide vital inputs reflecting different regional and sector perspectives on urban issues.

Externally, a series of upstream discussions were organized through 2008 with the support of key partners in a number of venues. These included joint workshops with the regions in tandem with the World Development Report 2009 *Reshaping Economic Geography* team, building on its important messages on urbanization. Participation in a number of partner-hosted events helped gain access to a wide range of national and local government counterparts who provided valuable inputs through venues such as the UNHabitat-sponsored World Urban Forum in Nanjing, China (November 2008); the Cities Alliance Consultative Group Meetings and United Cities and Local Government (UCLG) hosted forum in Barcelona (January 2009); and the Stockholm Urban Strategy Workshop (January 2009), as well as a series of bilateral meetings with client countries and donor partners.

As initial inputs to the strategy were being prepared from January to March 2009, an Urban Strategy Speaker Series was launched and presentations were delivered prior to and during the Bank's Urban Forum, which took place in March 2009, including the participation of a number of development partners and client countries. To facilitate information exchange and consultations, an interactive website (www.wburbanstrategy.org) was launched in January 2009 that provided a robust platform for hosting discussions, posting presentations, and soliciting input from a diverse range of participants including institutions and client countries. The concept note and regional presentations were translated and posted on the website to enhance access. In parallel, face-to-face and video consultations took place through the generous logistical support and hosting by development partners, including Interaction (CBO consultations in Washington, DC), the Norwegian Government, the French Government, and the German Development Agency (which also provided valuable written inputs to the strategy). At the regional level, all of the six regions were involved in consultations via face-to-face consultations or video conferencing (supported by the World Bank Institute's Global Development Learning Network).

Building on the inputs and contributions noted above, this strategy has been prepared by a team of World Bank staff and consultants at the Urban Anchor led by Stephen Karam under the direction of Zoubida Allaoua (FEU Director) and Abha Joshi-Ghani (Urban Sector Manager). Valuable guidance and oversight was provided by Kathy Sierra (Vice President) and Hartwig Schafer (Director of Strategy and Operations) within the SDN Network. Written inputs and background papers were prepared by Judy Baker, Alain Bertaud, Tim Campbell, Kimberly Colopinto, Mila Freire, Austin Kilroy, Somik Lall, Barbara Lipman, George Peterson, Richard Green, Robin Rajack, Dan Hoornweg, David Satterthwaite, and Shahid Yusuf. Regional Team Members provided valuable contributions and included: Junaid Ahmed, Roland White, Songsu Choi, Ming Zhang, Christine Kessides, Yan Zhang, Anna Bjerde, Sameh Wahba, Alexandra Ortiz, Hiroaki Suzuki, Victor Vergara, Dean Cira, Mukami Kariuki, Catherine Farvacque, and Matthew Glasser. Comments and helpful inputs were generously provided by Christian Delvoie, Indermit Gill, Chorching Goh, William Cobbett, Jamal Saghir, John Roome, and Keshav Varma.

ACRONYMS AND ABBREVIATIONS

ADB Asian Development Bank

AFR Africa

AGETIP Agences d'Exécution de Travaux d'Intérêt Public

ARD Agriculture and Rural Development

AusAid Australian Agency for International Development

BOT Build-operate-transfer

BTC Belgium Technical Cooperation

CA Cities Alliance CC Climate Change

CDS City Development Strategies

CIDA Canadian International Development Agency

CO2 Carbon Dioxide

DAC Development Assistance Committee

DEC Development Economics
DM Development Marketplace

DPMT Decentralization Performance Management Tool

DPO Development Policy Operation
DRM Disaster Risk Management
EAP East Asia and the Pacific

EBRD European Bank for Reconstruction and Development

EC European Commission ECA Europe and Central Asia EE Energy Efficiency

ENV Environment

ESMAP Energy Sector Management Assistance Program

ESSD Environmentally and Socially Sustainable Development Network

EU European Union EXT External Affairs FAR Floor Area Ratio

FEU Finance, Economics, and Urban Development Department

FPD Financial and Private Sector Development

FPSI Finance, Private Sector, and Infrastructure Network

GAC Governance and Anticorruption GCIP Global City Indicators Program

GDP Gross Domestic Product

GFDRR Global Facility for Disaster Risk Recovery

GHG Greenhouse Gas Emissions
GIS Geographic Information Systems

GNI Gross National Income

GPOBA Global Partnership on Output-Based Aid GRUMP Global Rural-Urban Mapping Project

GTZ Deutsche Gesellschaft fur technisohe Zusammenarbeit

(German International Development Agency)

HDN Human Development Network

IBRD International Bank for Reconstruction and Development

ICT Information and Communication Technology IDA International Development Association

IDB Inter-American Development Bank **Independent Evaluations Group IEG IFC International Finance Corporation**

IIED International Institute for Environment and Development

Inner City Market Assessments IMA Latin America & Caribbean LAC LARI Land and Real Estate Initiative Latin America and Caribbean Region LCR LED Local Economic Development

Local Government LG

MEIP Metropolitan Environmental Improvement Program

MNA Middle East and North Africa NGO Non-governmental Organization

Norwegian Agency for Development Cooperation NORAD

Output-Based Aid OBA Operational Directive OD

Organisation for Economic Co-operation and Development **OECD**

Operations Policy and Country Services **OPCS**

Public Expenditure and Financial Accountability Assessment PEFA

PIL Programmatic Investment Loans

Public-Private Infrastructure Advisory Facility **PPIAF**

Poverty Reduction and Economic Management Network PREM

PRSP Poverty Reduction Strategy Paper

Quality Assurance Group QAG South Asia Region SAR

Sustainable Development Network SDN

Special Economic Zone SEZ

SIAP Sustainable Infrastructure Action Plan

Swedish International Development Cooperation Agency SIDA

Sub-national Finance Technical Assistance **SNTA**

SSA Sub-Saharan Africa Technical Assistance TA

UCLG United Council of Local Governments

Urban Development UD

Urban Growth Management Initiative UGMI

UGP Urban Governance Program UIF **Urban Infrastructure Funds** Urban Management Program **UMP**

United Nations UN

UNCHS United Nations Centre for Human Settlements (HABITAT)

United Nations Development Programme **UNDP** United Nations Human Settlements Programme **UNHABITAT**

UNICEF United Nations Children's Fund

UR **Urbanization Review**

URS Urban Research Symposium

United States Agency for International Development USAID

WBI World Bank Institute World Development Report WDR Water and Sanitation Program WSP