



APPENDICES

The five appendices provide guidance to some important thematic issues asked by Cities Alliance partners during the city development strategy (CDS) process, particularly when doing initial assessments. The themes are clustered as in the main text, that is, around issues related to livelihood (Appendix A); environmental quality, service delivery, and energy efficiency (Appendix B); infrastructure and spatial form (Appendix C); financial resources (Appendix D); and governance (Appendix E). These appendices do not provide a comprehensive list; nor are they to be considered prescriptive. Rather, they give a sample of important questions to consider.

Figure 11 illustrates CARE's Household Livelihood Security Approach useful in understanding livelihood issues as discussed in section 6.1 of this *Guide*. The improvement in livelihood opportunities for the city's population is the bottomline of almost every CDS process.



Appendix A. Livelihood

A1. BUSINESS CLIMATE

A1.1 Incentives Offered by the Local Jurisdiction

Some incentives are wasteful. For example, business service firms are more sensitive to personal income tax rates that help them retain and attract talent, whereas manufacturing firms are more sensitive to land costs and tariff structures (obviously a national function). The CDS assessment would critically examine incentives offered to businesses to relocate to the locale, stay there, and expand, to ensure that the most cost-effective approaches are being taken. Location incentive programmes are expensive and have to be targeted carefully to be effective; furthermore, World Trade Organization (WTO) rules may limit the types of location incentives that can be offered.

A1.2 Nuisance Taxation

Decentralisation, a trend in most developing countries, results in local governments having more latitude to tax, but such powers are often abused or applied counterproductively. Nuisance taxation (frequently bordering on illegal) will discourage firms from relocating to the city, will drive others away, and will discourage people from starting up new businesses. Properly designed systems of local taxation and user fees that improve the business environment will have the opposite effect.

A1.3 Ease of Starting a Business

The World Bank and analysts such as Hernando de Soto (2000, chap. 2) have done a considerable amount of work on business start-ups. Although much of the red tape involved in business start-ups is imposed by national governments (and is thus not under local control), a big problem lies with local governments that add their own bureaucratic hassles (for local permits, for example), local taxes with a low cost-benefit value, and so on. There appears to be a direct correlation between urban economic success and the amount of time required to start a business: it is generally more difficult to officially start businesses in poor cities (in many industrialised 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 in formalising a business: if the barriers to formally creating a business 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 does exist), the number of steps involved, and the cost (including costs of corruption). CDS analysts can work through the process with a local start-up case study to obtain accurate information.

A1.4 Investment Approval Processes for Foreign Firms and Joint Ventures

Investment approval 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 multinational corporations give up and go elsewhere.

A1.5 Operating Environment of Informal Sector

What laws and regulations affect the operations of small informal businesses (street vendors, repair services operating in residential areas, and so on)?

A1.6 Government Attitudes towards the Informal Sector

Is the local government supportive of the informal sector and livelihood expansion within it? Or does the local government view the informal sector as a problem? Wuzhou, China, for example, has encouraged informal sector activities while introducing human resource and small-business development programmes to upgrade those activities. Cities following this approach have often experienced positive results.

A2. COMPETITIVENESS

A2.1 Basic Economic Trends

Are there any available time-series data on employment and output by key sectors and clusters? What are the income trends (per capita and household)?

A2.2 Diversity versus Specialisation

In general, smaller cities benefit from diversity because they are more vulnerable. Larger cities, on the other hand, strive to specialise in activities in which they are globally competitive.

A2.3 National and World-class Economic Activities

Is the urban area a national or global leader in any activities? Often cities with low profiles will be a world or national leader in a given activity. Such activities may show up as clusters, which become learning systems.

A2.4 Productivity Gains

What is the city's labour and capital productivity record (returns to labour and capital)?

A2.5 Economic Mix and Change

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

A2.6 Movement up the Value Chain and Cluster Deepening

Are local firms and clusters moving up the value change? How? Are clusters deepening—that is, are more suppliers and more sophisticated suppliers emerging? Is the local, national, or provincial (state) government attempting to recruit firms to deepen local clusters?

A2.7 Rate of Start-ups and Business Deaths

At what rate are new businesses, formal or informal, being created? How conducive is the environment to new firm creation?

A2.8 Foreign Direct Investment

What is the track record for foreign investment (FDI) over the last 10 years? To what activities is FDI flowing: manufacturing? real estate? trade?

A2.9 Innovation

What types of innovation are occurring in the city? Innovation assessment would not be limited to so-called high-tech firms. A garment industry can display innovation as easily as a software cluster; for example, high-value fashion clusters have developed in Milan and Bangkok. Without innovation, leading to productivity increases, a city cannot increase its competitiveness. Gains from additional application of labour and capital in isolation will not translate into greater competitiveness in the long run. Total factor productivity needs to improve.

A2.10 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 the international and national norms (shift–share)? Are any anchor firms threatened by oversupply of the product they produce? Might they soon be technologically obsolete (for example, firms producing chemical photographic films)? In such cases, are new product lines being introduced to substitute for obsolescence in other product areas?

A2.11 Labour Market Efficiency

How is information concerning labour opportunities disseminated? Does the local or national government operate efficient labour information centres? Do private labour 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 labour force?

A2.12 Marketing and Promotion

How does the city market and promote itself, given that about 10 percent of advertising expenditure in middle-income and industrialised jurisdictions is for place marketing? What attributes, clusters, or activities are at the centre of marketing efforts—Tourism? Manufacturing investment opportunities? Location-al incentives? To what extent is this marketing targeting, for example, cold-climate tourist markets if the city has a subtropical or tropical climate? What media are used for place marketing? Marketing to whom? How successful is this marketing?

A2.13 Attracting Talent

What policies are in place to attract talent? Have many talented individuals have these policies attracted to the city? Are national immigration policies conducive to attracting international talent, or do they constrain such flows?

A3. HUMAN RESOURCE DEVELOPMENT

A3.1 Educational quality and quantity (enrolment at various levels).

Educational quality and quantity are measured using key indicators. Quality is as important as quantity.

A3.2 Education–Economic Alignment

To what extent are local educational curricula, particularly technical, aligned with emerging economic activities and clusters?

A3.3 Access to Education

Do the poor and migrants have access to education? Do financial problems, admissions procedures, lack of information, or local registration requirements create barriers that make it difficult for children of migrants to enrol in schools (a common problem in peri-urban areas in some countries)?

A3.4 Financial Support to Students

Is financial support, including student loans, available to lower income children to attend school?

A3.5 Access to Entry-level Jobs

Are there courses, with few entry barriers, to respond to increasing consumer demand for drivers and barbers, for example? What are the conditions of access (cost, information, location) to these courses?

A3.6 Geographic Accessibility to Labour Market

What are the mean (average) time and financial costs of travelling from home to employment, particularly for lower income residents?



Appendix B.

Environmental Quality, Service Delivery, and Energy Efficiency

B1. ENVIRONMENTAL QUALITY

B1.1 Air Pollution

Is air pollution increasing or decreasing as measured by key indicators (for example, suspended particulates)? What are the health implications of air pollution—respiratory disease, working years lost, mortality? What set of measures would most effectively and drastically reduce air pollution—Closing firms exceeding emission standards? Changing fuel and automobile standards (normally national government functions)? Introducing polluter-pay policies? Banning certain fuels (for example, banning the burning of coal at street level, as Beijing did)?

B1.2 Wastewater and Water Quality

Is water quality improving or declining in key water bodies in the urban region? What is the wastewater system coverage, including that from non-conventional community cisterns and septic systems? At what percentage of capacity do existing wastewater 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, and so on?

B1.3 Pollution Sources

What and where are key point sources of air and water pollution? What would be the impact of closing the bottom x percent of polluters (for instance, heavy-polluting industries)?

B1.4 Sustainability and Safety of Water Supply

Is the water supply sustainable? Will abstracting the groundwater result in insufficient water to supply the forecast demographic and economic growth? How safe is the water for human use? Is it subject to toxic accidents?

B1.5 Loss of Agricultural and Environmentally Sensitive Land

What is the annual loss (and time-series trend line) of first-class agricultural land to urbanisation? What are the implications for agricultural production (by value and key crop output) in the extended urban region (EUR)? Have measures been taken to limit this loss—for example, establishing growth boundaries, setting land quotas, zoning urban expansion away from first-class agricultural land? How effective have these measures been? If there's a problem, is it a result of poor policy design or a lack of enforcement? To what extent is land being removed from environmentally sensitive uses—for example,

wetlands, steeply sloped land, land with scenic or heritage merit—through conversions to urban uses?

B1.6 Amenity

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

B1.7 Natural Hazards

What natural hazards threaten the city? Can land-use policies, emergency preparedness, building codes, and so forth be used to lower the risk?

B2. SERVICE DELIVERY AND POLICY FRAMEWORKS

B2.1 Demand for Services

What socioeconomic trends, particularly demographic, underpin the demand for public services—for example, population growth relative to the supply of basic public services?

B2.2 Delivery of Basic Needs

What percentage of the population (coverage) have their basic needs—water supply, garbage pickup, basic sanitation, electricity—met? Are low-income neighbourhoods 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 customised according to neighbourhood economic status, ability to pay, and so forth?

B2.3 Health, Education, and Literacy Status

What is the health, education, and literacy status of city residents as measured using key indicators? By sub-area of the city? By household economic cohorts (if data available)?

B2.4 Quality of Basic Services

What is the quality of basic services—for example, primary education and health care—measured against benchmark institutions in comparable cities?

B2.5 Delivery of Services to Migrants

Are services available to migrants in both city core slums and peri-urban areas? If not, what precludes migrants from getting access? Local registration requirements? Lack of local facilities and programmes? Lack of capacity at facilities?

B2.6 Public Health

What are the key causes of sickness and death? How healthy are the city's residents compared with those in other cities of comparable economic development? What are the rates of infectious disease, such as HIV–AIDS? How effective are programmes to address infectious disease? How could they be improved? How prepared is the city for new health threats (for example, an influenza pandemic)? What are traffic death and injury rates? What measures are being taken to reduce traffic deaths of pedestrians, bicyclists and motorcyclists, and vehicle occupants?

B2.7 Efficiency in Delivery of Environmental Infrastructure

Are appropriate technologies being used to deliver basic environmental services—solid waste disposal, provision of potable water, and so on—given the 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?

B2.8 Maintenance

How well are environmental systems maintained, measured as a percentage of operating capacity?

B2.9 Energy and Environmental Policy Frameworks

What policy frameworks are in place to encourage firms, households, and infrastructure providers to change behaviours affecting environmental quality and 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 realised by changes in policy frameworks (for example, user fees for garbage pickup above a certain weekly volume) than by capital expenditure (for example, building additional landfills).

B3. ENERGY EFFICIENCY

B3.1 Energy Consumption

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?

B3.2 Urban Form and Energy Consumption

Does the existing urban form conserve energy? What financial savings would be realised through changes in urban form, particularly if it meant lower transportation costs and unit costs of infrastructure

delivery? What are the trends in and current levels of density and sprawl as measured by conventional urban density, sprawl, and form quantitative indicators (see Schneider, Seto, and others 2003)? Such indicators were used effectively in assessment work for the Chengdu CDS.

B3.3 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?



Appendix C. Infrastructure and Spatial Form

C1. INFRASTRUCTURE

C1.1 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, and cost-effectiveness? How are infrastructure services regulated?

C1.2 Infrastructure Delivery Modes

What changes are being considered for infrastructure delivery and maintenance?

C1.3 Planned Infrastructure

What important new civil and environmental infrastructure is coming on stream—Under construction? Committed? Planned?

C1.4 Trunk Infrastructure and Urban Form

How important is trunk infrastructure (for example, sewers, expressways) in shaping the city?

C1.5 Housing Supply and Demand

How many new housing units (formal and informal) are produced annually (time-series data)? What are the trends in property prices, building permits issued, and housing vacancies?

C1.6 Affordable Land and Housing

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

C1.7 Transportation Networks

Identify major transportation infrastructure networks (existing, planned, committed), particularly expressway and mass transit networks. Is the expressway network predominantly radial, or is it a ring road? Which came first, radial or ring links? And how did this sequence 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 intercity routes (highways, rail) affect the structure of the city? Are road systems being managed proactively (intelligent highways, road pricing, high-occupancy vehicle lanes), or are they being left to laissez-faire use?

C1.8 Public Transportation Facilities and Services

What types of formal and informal public transportation exist—for example, heavy and light rail, busways, traditional bus systems, flexible van systems often operated by the private sector (the fastest growing form of public transit worldwide, in both developing and industrialised cities)? Are informal public transportation operators, such as van operators that connect employment and residential nodes, harassed or encouraged? Are they regulated for basic safety compliance? What is the route network of public transportation systems? What is their quality of service? What percentage of the population uses public transport (widely defined), especially for travel to and from work?

C1.9 Urban Nodes and Public Transport Demand

Are there significant employment, commercial, and residential nodes that would justify rapid transit systems to connect them?

C1.10 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?

C1.11 Movement of Goods

Can goods be moved to and from the nearest port and airport reliably and quickly? At what time and financial (per unit) costs? Congestion can deal a heavy blow to competitiveness, especially to manufacturing firms using just-in-time processes. For example, the CALA (Cavite–Laguna) peri-urban area south of Manila has suffered considerable loss of competitiveness (relative to that of Bangkok and Chinese coastal cities) largely because of congestion, the product of a lack of EUR- and metropolitan-scale planning and infrastructure implementation (see Webster 2002).

C1.12 Telecommunication Services

How reliable are telecommunications services? Are they priced competitively? 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, such as unjustified hotel surcharges on telecommunication services), realising their importance to competitiveness. At the other end of the spectrum, some cities, especially in Sub-Saharan Africa, have high-cost telecommunications systems that virtually ensure that large-scale manufacturing will not develop, even if other factors are in place.

How reliable are broadband 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, and so forth, especially to the poor.)

C2. SPATIAL FORM

C2.1 Formal and Informal Spaces

Is the physical structure of the city essentially formal and modern? Or is it predominantly informal, with a small, modern downtown?

C2.2 Urban Density

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

C2.3 Land and Property Value Gradients

What is the slope of land and property value gradients (for residential, commercial, industrial) from the centre of the city outwards?

C2.4 Land and Housing Markets

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

C2.5 Monocentric versus Multinodal Form

Does the city have a strong CBD, or is it multinodal with a weak CBD?

C2.6 Peri-urban Spatial Form

Is peri-urban development contiguous—that is, the built-up area is continuous? Or is it patchwork in nature? Or focused around satellite cities? What are the energy, congestion, and competitiveness implications of physical development on the fringe?

C2.7 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-of-city nodes, as in the United States and in some developing cities, such as Beijing?

C2.8 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 (for example, industrial parks, science parks, office complexes, economic clusters)? How is the spatial distribution of employment and economic output changing?

C2.9 Social Geography

Where do the richest people live? Where do the poorest? What neighbourhoods are in decline? Which are in ascendancy, that is, becoming fashionable? What social issues are associated with specific areas of the city? Are certain areas of the city associated with specific ethnic, religious, or linguistic groups?

C2.10 Geography of Poverty

How is the geography of poverty changing? For example, in many fast-growing middle-income cities (for example, 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 neighbourhoods densifying, as is the case in many Indian cities?

C2.11 Location of Slums and Squatter Areas

Where are slum areas located? Is the pattern one of many mini-slums or a few vast slums? 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 a high proportion of the slum population? Is the leadership of slum areas contested by ethnic groups and so forth? How secure is the tenure of residents? Which slum areas are being upgraded? Which have deteriorating 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 neighbourhoods?

C2.12 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 centre or at the periphery? If not, why not? Is it because of a lack of trust in regulatory frameworks? Or do local governments lack the capacity to oversee such arrangements, guaranteeing the rights of all participants?

C2.13 Destination of Migrants

Where do migrants tend to settle? Why?

C2.14 Geography of Investment

Which areas of the city are experiencing investment? Which are experiencing disinvestment? Why?

C2.15 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.)

C2.16 The Knowledge Economy

Where are the most important knowledge clusters in the city? Where are ideas exchanged (for example, universities, high-tech campuses, transaction-rich environments, key café and pub areas)? Have

universities spun off nearby science parks, knowledge entrepreneurs, incubation facilities, and so forth? If so, are they geographically proximate to universities and technical institutions? If not, why not (for example, lack of nearby land and facilities)?

C2.17 Expansion Vectors

In which directions is the city expanding most rapidly—that is, 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?

C2.18 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? Are they accessible to residents of the core city, or are they concentrated on the periphery?



Appendix D. Financial Resources

D1. LOCAL GOVERNMENT FINANCIAL RESOURCES AND INSTITUTIONAL STRUCTURES

D1.1 Local Government Budgets

Over time, how have 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, the last full economic cycle) and forecasts of expected revenues and expenditures based on various assumptions (scenarios). This analysis would distinguish between new borrowings and debt repayment, as well as between capital and current expenditure and revenue. A statement of accounting standards would be attached.

To what extent (projects, programmes, monetary value) has the local government leveraged its resources through innovative financing mechanisms such as build-own transfer (BOT), build-own-operate, public-private ventures, and so forth?

D1.2 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 of rate-setting powers; a description of user fees collected and of tax and other revenue arrears; and a description of non-recurring revenue sources, such as asset sales and privatisations.

D1.3 Capital Planning

What are the capital improvement plans of the local government, and what are its investment policies? To what extent have past capital improvement plans been executed?

D1.4 Off-budget Revenue and Expenditures

How large are off-budget revenue (for example, revenue from concessions, sales of land, and so forth not included in the formal budget) and expenditure compared with the those of the formal budget? How is this money spent? Are off-budget revenue and expenditure transparent?

D1.5 Transfers

Over time, what has been the amount of transfers from national or other senior-level governments to the local government? What has been the relative importance of these transfers? On a per capita basis, how does the amount of transfers compare with that of other cities in the country? Is the city entrepreneurial in lobbying for transfers? Or does it prefer self-sufficiency (for example, wanting to avoid conditions attached to specific grants)?

D1.6 Extent and Impacts of Decentralisation

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

D1.7 Debt

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

D1.8 Access to Credit

Does the local government issue bonds? Does the local government have access to on-lended or pooled funds (through mechanisms such as municipal development funds)? Has the local government borrowed from these facilities? If so, how much? Over what time period?

D1.9 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?

D1.10 Autonomous Bodies

Within the city are there fiscally autonomous or semi-autonomous enclaves (for example, special economic zones, industrial parks, science parks)?

D2. MOBILISING NONGOVERNMENT CAPITAL

D2.1 Impact of Land Readjustment

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

D2.2 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?

D2.3 Housing Credit

Is credit readily available to low-income households to buy housing? Is this credit available through the commercial banking system? To what extent is government involved (for example, through special institutions such as housing banks or provision guarantees)? What is the monthly household income threshold that enables a household to purchase a basic house in the metropolitan area?

D2.4 Financing Local Infrastructure

Do consumers of housing and other buildings pay for the cost of local infrastructure through special tax assessments (repayable through mortgages)? Or do buyers get a "free ride" or suffer from lack of local infrastructure (see Figure 5)?

D2.5 Microfinance

What is the amount of microcredit dispersed annually in the city (most recent year for which data are available, plus time-series data)? What is the total amount of microcredit in circulation? In microfinance allocations, which groups are eligible or given preference? For example, are women given preference? For what can microcredit be used? Is microfinance organised on a community basis or through different institutional mechanisms (for example,

worker cooperatives or trade organisations)? How do levels of disbursement, repayment rates, and developmental impacts of microcredit compare with those of best-case cities? What changes in policy or public leadership would substantially enhance the flow of microcredit? (For detailed information on microfinance, see Ledgerwood 1999.)

D2.6 Credit for Small and Medium-size Enterprises

Do commercial banks readily lend to small and medium-size enterprises that are creditworthy in terms of potential but possibly not in terms of collateral? Or is the commercial banking system biased towards large businesses?

D2.7 Voluntary Organisation Finance

How successful are third-sector organisations (voluntary organisations, nongovernmental and nonprofit organisations, and so forth) in attracting funds? Are these funds used effectively? Are such organisations financially transparent?

D3. PRIVATE SECTOR FINANCIAL FLOWS

D3.1 Foreign Direct Investment

How have the size and the composition of FDI flows to firms operating in the city changed over time?

D3.2 Domestic Investment

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

D3.3 Commercial Banking Flows

According to central bank data, does the city experience net inflows or outflows of capital through the commercial banking system? What can be done to improve this performance?



Appendix E. Governance

E1. NATIONAL URBAN POLICY FRAMEWORKS

What are the national urban policy frameworks facing the city? Undertaking this work is difficult because most national policy frameworks affecting urban areas are explicit (for example, grants for urban mass transit systems) or implicit (for example, international trade or corporate taxation policies). Of particular concern are national or other senior government powers related to (a) financial and debt oversight; (b) service provision; (c) financial autonomy and debt issuance, including foreign currency or debt restrictions; (d) environmental regulations; (e) privatisation; and (f) pending or proposed legislation that affects revenue sources, issuance of debt, pledged security, operation of utilities, or shifts in service mandates of local governments.

E1.1 Local Priorities and National Policies

How do local priorities align with national policies? Do these policies 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 them (through urban political power, lobbying, and so forth)? (Urban areas virtually worldwide tend to be quantitatively underrepresented in parliament relative to the urban popula-

tion's share of the national population.) The larger and more economically and politically powerful a city is, the greater its potential to exert pressure to modify national urban policies.

E2. INSTITUTIONAL STRUCTURE AND PROCESSES OF LOCAL GOVERNMENT

E2.1 Local Government Structure and Processes

What is the structure of the local government (organisational chart)? How are decisions made? To what extent is this structure determined by national laws? To what extent has it been and can it be locally customised? If the latter, are the present structure and process consistent with contemporary issues and needs? Or are they 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?

E2.2 Appointment of Officials and Governing Bodies

Which officials are elected locally? Which are appointed? What are the electoral procedures for the governing body and for the chief elected officers? Is the local government led by independent representatives, or are the leaders representatives of political

parties? Are these political parties nationally organised? If so, is the local leadership aligned with the ruling national party? Does this situation have implications for implementation of the strategy?

E2.3 Corruption.

What is the level of corruption in the local government? What can be done to reduce corruption?

E3. ROLE OF LOCAL GOVERNMENT IN THE CONTEXT OF DECENTRALISATION

E3.1 Decentralisation Impacts on Local Government

Determining the effects of the decentralisation framework on city finances requires information on the following:

- The size of the transfers and their relative share of the city's operating revenues;
- The degree to which the decentralisation framework motivates or discourages local revenue generation;
- The extent to which transfers are earmarked for specific purposes or can be used to fund operations and debt service;
- Revenue sources that have been legally delegated to the city;
- Flexibility of the city to effectively adjust its tax sources and levels in response to changing economic conditions;
- Legal and political risks associated with the national revenue-sharing system;
- The direction of any changes in the decentralisation framework (towards more or less decentralisation);
- Functions (mandatory and optional) delegated to the city;
- The size and type of mandated expenditures (for example, public health, public education, public transportation);
- 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; and
- The city's ability to adjust its expenditure budget quickly under changing economic conditions.

E4. METROPOLITAN GOVERNANCE

E4.1 Inter-jurisdictional Cooperation

How are functional responsibilities assigned horizontally (between municipalities and constituent districts and counties) and vertically (between municipal, provincial or state, and national governments)? Are measures in place to coordinate the delivery of services on a metropolitan or EUR scale (for example, special districts, councils of local governments, voluntary agreements among local governments, voluntary agreements motivated by incentives such as matching grants from senior governments).

E5. CAPACITY

E5.1 Capacity and Development Priorities

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

E5.2 Institutional Strengthening and Building Priorities

What specific changes in government structures and in institutional strengthening or building are needed to improve performance? Later in the CDS process, the question will be asked in relation to implementing specific strategic thrusts.

E5.3 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?

E6. RELATIONSHIP WITH THE PRIVATE SECTOR AND CIVIL SOCIETY

E6.1 Relationship with the Private Sector

What is the relationship between the local government and the private sector (for example, 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.

E6.2 Modes of Private Sector Cooperation

Does the local government engage in public–private partnerships, award concessions, participate in innovative finance (such as build–own–transfer), and so forth?

E6.3 Relationship with Civil Society

How strong are local, national, and international third-sector organisations? How does civil society cooperate and interact with local government in shaping the future of the city? How important is the role of civil society? What is the character of the relationship between the local government and the civil society? Enabling? Hostile?

E6.4 Local Government Capture

Have local government jurisdictions in the EUR been captured by special interest groups? Peri-urban area jurisdictions are particularly vulnerable to capture by Mafia-type groups, business groups, and civil society organisations.



Figure 11. CARE’s Household Livelihood Security Approach

