



4. The Role of City Development Strategies

CDSs DO MATTER

Increasing evidence shows that urban performance is not based on maintaining existing roles, economic structures, and institutional status quo. Rather, it is based on adaptability. Almost all cities will be shocked by 2050, especially by external forces. The success of a city is largely determined by how it responds to shocks generated by rapid changes in its external and internal environments. This quality is known as *resilience*, and it will become even more important in future.

Bangkok lost much of its comparative advantage as the factory of Southeast Asia in the 1997 financial crisis and had its economic output (in US dollars) more than halved in one month. But by turning to high-end services, such as advertising, medical services, and spas, Bangkok repositioned itself to become a higher value economy than before. During this transition, poverty rates were kept much lower than forecast because households adapted, supporting less successful family members and taking advantage of deep social capital (Webster 2004). The World Bank forecast that the Thai poverty rate would rise to 18 percent from the pre-crisis rate of 11.9 percent (1996); it peaked at 15.9 percent.

Some other cities that were shocked never recovered. And some cities, such as Manila, forecast in the early post–World War II period to become economic leaders, have been trapped in vicious cycles.

The evidence is clear: cities can and do suffer major reversals in fortune. These reversals can be positive or negative, with turnarounds and breakdowns generally taking 10–20 years. Evidence indicates that performance turnarounds are frequently the result of a city's having a clear strategy, as was the case with Curitiba, Shanghai, and Singapore.

The role of a CDS process is first to shock an urban system under controlled conditions, causing stakeholders to be truly objective in assessing their situation, and then to strategically deploy a limited number of actions to enable the city to dramatically change its performance. The *Mumbai First* case (see Box 4) is an excellent example of a bold, shock-inducing strategy. A good strategy is a prerequisite to performance change, but implementation is what ultimately counts. Successful CDS processes almost always have key stakeholders acting with intent, chasing the same vision, within a framework of effective policies.

CDSs are civic or public processes in which the local government plays an important enabling role

The process works best when outsiders help in assessing the city's situation and in subsequent strategising. Cities need to learn from other cities, particularly those in similar circumstances or subject to the same types of shocks. This learning needs to include not just best practices but also cases in which events did not go according to plan. In both developing and industrialised cities, perceptive outsiders without vested interests can often see the reality of a city more clearly. Strategies are generally ineffective if they are mostly internally driven and ignore outside forces and learning.

It is unanimously agreed that CDSs should not be comprehensive plans. Rather, they should identify a few strategic thrusts (usually five to seven of these). The purpose of these thrusts is to lever the system through a variety of mechanisms: (i) changes in national and subnational (such as metropolitan or municipal) policy frameworks; (ii)

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

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

Local governments are important for their ability to catalyse, to represent the public interest, and to fix market gaps and failures. However, the official budget of a city anywhere in the world is minuscule compared with the total financial resources that a city's stakeholders can catalyse. For example, expenditure by the Bangkok city government, the Bangkok Metropolitan Administration (BMA) accounts for less than 1 percent of urban investment. However, the city administration and budget can be vital signals of intent and commitment, thereby acting as powerful factors in investment decisions. For example, the BMA attracted investors to develop Bangkok's 23-kilometre elevated heavy-rail transit (BTS) system on a Build-Own-Transfer (BOT) basis. The system has completely transformed the city over the past five years. Similarly, those with talent and knowledge of urban innovation are widely distributed within urban systems, with local governments employing only a small percentage of them. Key strategies identified through CDS processes may or may not be actions that local government can or should take. But almost invariably, local governments need to play a catalytic role in making the project happen, for example, by organising innovative financing and providing signals to the private sector.

Even if large segments of the community reject a CDS, a strategy like *Mumbai First* may lead to action catalysing alternative responses (Box 4).

BOX 3.

IMPROVING LINKAGES BETWEEN GOVERNMENT AND INFORMAL BUSINESSES IN KARU, NIGERIA

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

Source: Cities Alliance (2003a, p. 14).

BOX 4. A BOLD TRANSFORMATION PLAN FOR MUMBAI, INDIA

The redevelopment plan for the city of Mumbai is bold. Its goal is to transform Mumbai into a world class city by 2013, equalling or surpassing Shanghai. A core principle of the strategy is that incremental change doesn't work—reform comes in leaps. The Government of Maharashtra's plan builds on a report by McKinsey & Co. on the future of Mumbai, originally commissioned by the citizen's group *Bombay First*, which felt frustrated with urban development in one of Asia's most dysfunctional cities. The report called for a \$40 billion 10-year redevelopment plan for Mumbai, including a \$1.2 billion plan to redevelop Dharavi, a slum community with the unenviable reputation of being among the largest in Asia. Covering an area of 220 hectares and home to about 1 million residents, Dharavi is also one of the most entrepreneurial communities in India. Hundreds of microfactories operate within the slum, generating \$500 million in annual sales of pottery, leather, jewellery, and much more. Ideally situated near the international airport and the new Bandra-Kurla business district, it also attracts white-collar workers, who choose to live here among the rural migrant manufacturing workers to be closer to their place of employment and to avoid the horrendous daily commutes endemic to this highly

congested city. The redevelopment of such a large and prime location in a city strapped for land is an important keystone in the planned transformation of Mumbai. It is intended to be an achievable "fast win" to catalyse a positive cycle of change and "transform the texture of life" in this city.ⁱ The redevelopment plan calls for private developers and investors to build new upscale business and residential areas, with land set aside as part of the land readjustment scheme to provide affordable housing for displaced low-income Dharavi residents.

To realise the transformation plan, the Government of Maharashtra formed a Citizens' Action Group, comprising citizens from academia, the private sector, and the slums, and the government approached international agencies, including United States Agency for International Development, the World Bank, and the Cities Alliance, for financial and technical assistance. But bold moves invite controversy. Already highly contested, the development became especially controversial following the decision of the Government of Maharashtra in 2005 to undertake a slum demolition programme in 2005 in which 30,000 post-1995 homes. The strong public outcry halted the evictions, but not before the demolition

programme had severely jeopardised the support of a range of local and international actors and damaged Mumbai's international reputation for flexible, pro-poor development. As the transformation initiatives go forward, some slum residents remain sceptical about the government's intentions and are calling for more incremental approaches, whereas others remain hopeful that the project will bring about a better quality of life for themselves and for Mumbaiers as a whole



ⁱ Government of Maharashtra (2004).

Source: Sharma (2002), Cities Alliance (2005, pp. 36–37), *The Economist* (2005), Stewart (2005, pp. F4–F5).

4.1 WHY UNDERTAKE A CITY DEVELOPMENT STRATEGY PROCESS?

Why should a city undertake a CDS? Why not allow the market and day-to-day bureaucratic forces to determine its fate?

A strategy has several advantages:

- It encourages stakeholders to invest and behave according to a vision, effectively pulling in one direction—getting priorities right is crucial to success;
- It cost-effectively allocates resources to a few key strategic areas;
- It helps a city anticipate future shocks and rapidly changing contexts (the risk environment) and raises its understanding of how stakeholders would respond under various scenarios;
- It enables a city to anticipate the rate, type, and physical direction of growth and to develop infrastructure ahead of growth.

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

Cities do have choices in their future development directions and outcomes, albeit circumscribed. Their path of development is by no means predetermined. As a general principle, a CDS is a ‘trend breaker’. It is designed to motivate key city decisionmakers and stakeholders to think and operate differently; otherwise, there will be no change. Strategies should be designed for high leverage and be deployed where the highest developmental leverage is possible.

The prime motivation for the instigation of CDSs is the stakeholders’ awareness that the current situation is unsatisfactory. Cities have often had dramatic reversals in their fortunes. For example, conditions in most Sub-Saharan cities, such as in Harare, Lagos, and Nairobi, are judged unsatisfactory and are often inferior to conditions of the past. This is equally true in many industrialised cities; for example, Glasgow was the second most important industrial city in the British Empire in the Victorian era, but it has degenerated to the point of becoming dysfunctional, and many areas of the city became derelict. But the city is massively reversing its fortunes through a strategic plan to reinvent itself as a cultural and scientific centre, as described in Box 2.

Shanghai is a similar case. Along with Tokyo, Shanghai was the leading city of East Asia in the early decades of the 20th century, but it was in a state of disrepair and economic malaise by the early 1980s. Subsequently, the national government declared it the Gateway to China. Now, locally driven strategic initiatives, such as the new Pudong CBD, started in 1992, are restoring the city to its former glory. Shanghai is re-emerging as the dominant city of East Asia. Penang, Malaysia, is another city that successfully remade itself with a well-thought-out strategy for responding quickly to a global market. In the 1970s, it turned itself into one of the most important electronics manufacturing centres in Asia, riding the incipient electronics boom at that time (Box 6).

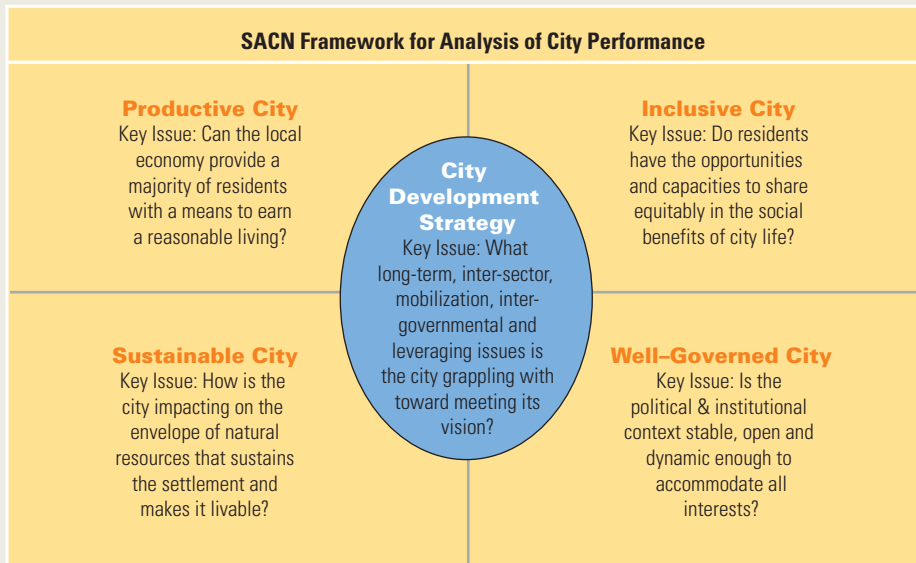
In other cases, cities are performing reasonably well but want to reposition themselves to excel. Examples would include Curitiba, Brazil, which is well known for excellence in urban management; Chengdu, China, which is becoming the dominant high-end financial services and electronics centre in western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

BOX 5. MAINSTREAMING CDS IN SOUTH AFRICA WITH THE HELP OF THE CITIES NETWORK

The Department of Provincial and Local Governments (DPLG) in South Africa has recently announced that all five-year Integrated Development Plans (IDPs) must include a long-term strategy. Accordingly, by the end of 2006, all 284 South African local governments will need to develop a CDS. Several of the larger cities already have a CDS, including Johannesburg, with a model CDS; Tshwane, which is expanding the scope of its CDS in a groundbreaking way with a new citywide housing and upgrading strategy and financing plan; and eThekweni, Cape Town, Ekurhuleni, and Buffalo City, which are each in the process of finalising and tendering a CDS. But the vast majority of South Africa local governments have yet to put effective CDSs in place. Few of the IDP action plans take a long-term perspective involving collective visioning and strategic planning. At a recent national workshop to evaluate the impact of integrated development planning, mayors and city managers of South African cities identified a need for economic growth strate-

gies based on competitive advantages, plus outcomes-based planning, monitoring, and spatial development frameworks, to coordinate public sector spending and other development efforts. Despite a rapid expansion of services, the cities see a need for more effective mechanisms—strategic actions focusing on few points of leverage for maximum impacts—to tackle the major issues affecting the overall quality of life in South African cities, such as unemployment, crime, poverty, and HIV–AIDS. Many of these concerns could be addressed within a CDS.

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



Source: SACN (2004, pp. 1–7).

BOX 6. AN AGGRESSIVE STRATEGY PAYS OFF IN PENANG, MALAYSIA

The story of how Penang became one of Asia's major electronics manufacturing hubs offers many valuable lessons for urban strategists. Penang, the second smallest state in Malaysia, prospered as a free port under British rule and in the early independence period, but it suffered economically when the federal government revoked its free port status, in 1969. To reinvigorate the island's economy and respond to growing unemployment, Penang state, under the visionary leadership of Dr Lim Tun, adopted an export-oriented industrialization policy, which many considered radical at the time—import substitution was in vogue. The cornerstone of the strategy was the creation of a free trade zone (FTZ) at Banyan Lepas, outside the island's main city of Georgetown. By creating an enclave outside the customs and other federal administrative domains, the state could bypass many inefficiencies in the Malaysian system while offering investors attractive export incentives. The first major international firms to locate there, in 1972, were National Semiconductor and Hewlett-Packard, two leading American semiconductor firms; others soon followed. Within a year of these firms arriving, the electronics and electrical equipment industries accounted for one fifth of all manufacturing jobs in the state and accounted for 28 percent of Penang's manufacturing value added.¹

Public investment was the main driver of Penang's economic development. The state government invested in essential supportive industrial infrastructure, ahead of demand, to guide and promote economic development and shape desirable spatial outcomes. Early public sector investment focussed on constructing the FTZ—developing the land and facilities and providing roads and utilities—well before the first investor was secured. The state government forecast future land needs and banked sufficient land next to the FTZ to expand the zone and keep the industry spatially clustered, which served to promote interaction between firms and to support a close-knit business community. It built new cargo facilities at the airport before the old ones reached capacity. As employment grew and attracted a large number of migrants from other states, the state government created a new town to relieve pressure on the main city, Georgetown. Situated next to the FTZ, the new town was able to leverage the extensive infrastructure investment the state had put in place to service the industrial base and to subsidise the costs

of production (for example, through affordable worker housing). Although Penang Island had only 778,000 people at the time, infrastructure was built to accommodate the 2020 forecast of 2.5 million.

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

As more of the labour-intensive electronic assembly production relocates to emerging low-cost locales in the region, especially China, Penang has shifted into higher value activities, including wafer production and the design and prototyping

of products and production processes, thereby retaining its prominence as an electronics manufacturing hub of Asia.

¹ Haggard, Li, and Ong (1998, p. 22).

Source: Muller and Saxenian (2005).

