

in 2003, their respective per capita real GDP stood at 32 per cent and 20 per cent of the average of the then 15-member EU.⁹

The Alliance's portfolio in the region is growing as members join forces to support municipalities in their efforts to facilitate local economic development, increase the productivity of secondary cities, improve infrastructure and urban service provision and strengthen municipal management and planning and financing capacities. With new activities under way in Azerbaijan and Russia, and partnership initiatives developing elsewhere in the region, including in Georgia, Hungary, the Kyrgyz Republic and Moldova, the Alliance anticipates a vibrant portfolio in this region in the coming years.



LATVIAN CITIES' CDSs

Latvia, a country of 2.4 million inhabitants, is still suffering from the recession that began with the transition of the early and mid-1990s, and poverty, uneven development and economic and social inequalities persist. GDP per capita remains at less than one-third the EU average and disparities in regional income levels are significant. The employment rate is falling and dipped to less than 60 per cent in 2000.

The incidence of poverty is approaching 20 per cent nationwide, but is particularly marked outside Riga, where almost 75 per cent of the poor live. Inequalities appear to be increasing as a minority benefits from the ongoing economic restructuring process. Thus, overall, there is an urgent need to promote more equitable growth and to expand local governments' capacities to fulfil the many social functions that have been decentralised to them.

Against this background, in 2002 the Association of Latvian Cities approached the Cities Alliance to access international assistance to help

address these difficult developmental challenges. The Association's proposal, which covered eight of Latvia's main cities that account for about half the country's population, was supported by the World Bank and UN-HABITAT. The programme has been designed to help the cities develop CDSs to support local economic development and to promote an entrepreneurial, vibrant and competitive economy.

Each city's CDS generally focuses on devising a local economic development framework capable of facilitating the establishment of new businesses and the generation of employment, improving governance structures and practices, enhancing stakeholder participation and establishing partnerships between local government and civil society, including the private sector, and increasing investments and building capacity to ensure the scaling up and replication of the CDS processes.

Riga

Riga, the capital, with a population of 1.1 million people, is located on the Baltic Sea and has historically served as a centre for trade and commerce in the region. Riga is not only the backbone of Latvia's economy, accounting for 53 per cent of the country's industrial output, 39 per cent of employment and 60 per cent of total foreign investment, but is also the largest centre of culture, education and science in the country.

Despite the rapidly growing local economy, which has seen GDP increases of some seven per cent per year in recent years, the quality of life has changed little for most residents. Indeed, the disparities between rich and poor have increased. In addition to social segregation, many other problems are hampering Riga's development, including a housing shortage, the transport network's inability to cope with increased vehicular traffic and an inefficient public transport system.

Riga did prepare a development plan for 1995–2005; however, that plan has not been implemented because it is excessively theoretical, was drafted without public participation and did not deal with the city's difficult structural prob-

⁹ Vasily Astroy and Peter Havlik, 'The Enlarged EU and Its Eastern Neighbourhood', paper presented at the Eastern Europe and Central Asia Seminar, World Bank, Washington, DC, 13 July 2005.



Riga Council business breakfast with ministers of the national government



Aerial view of medieval old Riga

lems. Many of the city's problems are due to the municipality's lack of financial resources and administrative capacity. The city decided to approach the Cities Alliance for assistance to develop a strategy capable of guiding Riga's long-term development. The new Riga City Development Plan (2006–18) being developed will consist of the following four basic components:

- A long-term development strategy until 2025 that incorporates a framework for elaborating the city's vision and mission;

- A development programme that includes a mid-term (seven years) strategy for regional planning that clearly defines objectives, tasks, activities, responsible institutions and financial resources;
- A comprehensive spatial development plan that defines zoning regulations, construction density and environmental protection requirements;
- A document that will list and update projects on an annual basis.

The grant from the Cities Alliance has been instrumental in helping Riga to move forward with its city development strategy. Through the CDS process, Riga has emphasised the involvement of stakeholders and the general public. The largest activity undertaken to date was a public involvement campaign that included several activities: questionnaires were delivered to households, advertisements were posted on the streets, school championships were organised, meetings were held with representatives of the business community and discussion forums with different experts were organised. Initial assessments of the status of the economy, housing and transportation, and the city's demography have been completed.

In December 2004, the City Development Plan was presented in all of its detail for public consultation, allowing citizens to examine all the working documents and maps, and to consult with the responsible civic officers.

In Riga's long-term development strategy, the vision is clear and bold: Riga is the city of opportunities. Citizens' needs and wishes lie at the centre of the strategy. Riga aims to be not only an important cultural centre, but also a logistics centre between the Russian and the EU markets. To this end, the plan has set three development goals as priorities, namely:

- To create an educated, skilled society, respectful of its culture;
- To promote economic development based on Latvia's strategic location between East and West;
- To create attractive and liveable neighbourhoods.

The CDS methodology represents a new concept in development planning in Riga, and the involvement of all stakeholders in the city's development planning process, while time-consuming, has been crucial. The combination of international and local experience and opinions is expected to produce a long-term development strategy capable of improving the quality of life for all of Riga's residents.

Andis Kublakovs, Deputy, City Planning Division, Riga City Council.

Liepaja

Liepaja, Latvia's third largest city with a population of 100,000, has an ice-free port on the Baltic, an international airport, and a diversified economy that includes metal processing, textiles, food processing, paper production and ship building. The city has a rich architectural heritage and cultural life, both of which are important for promoting tourism.

The most important result of the CDS in Liepaja pertains to human resource development, particularly training in local economic development planning and project cycle management. Support from the Cities Alliance allowed the city to imple-



Port of Liepaja

ment a number of investment projects, increase the involvement of stakeholders in development processes and help the local government improve its dialogue with the community.

Within the framework of the Cities Alliance programme, Liepaja has introduced new development and financial planning instruments to balance competing demands on the municipal budget from different development projects, to develop strategies for attracting investment from the EU and from other donors and to attract long-term loans to improve the city's infrastructure.

The city has also developed an employment programme to generate a new business infrastructure and increase the city's competitiveness, which involves the long-term unemployed in employment activities, and integrates young people and those with special requirements into the labour market.

The city has prepared a Strategic Development Plan through 2010 that is to be implemented by the Liepaja Development Department. Liepaja is undergoing rapid development and should be in a position to capitalise on the opportunities for development presented by Latvia's recent membership in the EU.

Vilnis Vitkovskis, Head, Project Management and Coordination Division, Liepaja City Council.

Valmiera

Valmiera, with only 28,000 inhabitants, has to contend with negative population growth. The city, an administrative, cultural and educational centre, has an economy based on large industrial enterprises, construction firms and food production.

The overall objective of the CDS in Valmiera was to strengthen the municipality's capacity to conduct strategic planning and to identify ways to strengthen local economic development. The municipality, together with the Valmiera Local Economic Development stakeholders group and the Valmiera Forum, held a number of seminars and workshops on strategic planning and vision and mission definition, and on the elaboration of a strategy.

The outputs from the process include local economic assessments, a vision and mission statement and a definition of strategic objectives and key activity areas. The City Development Plan has been updated and indicators for measuring the plan's performance have been defined. Important process goals have included active involvement by City Council members in the development of the strategy and vision; improved public involvement through surveys, focus group discussions and public events; and increased awareness among all stakeholders of the main strategic issues.

This process has reinforced the importance of participation by different players notwithstanding the different needs, aspirations and priorities of

the state, of citizens and of private businesses. The CDS provides a strong tool for communication between all these key stakeholders. The city strategy is understood as being less about what the municipality wants to do and more about how the local authority will work with key stakeholders to achieve common objectives.

Excerpted from "State of the City of Valmiera", Report submitted to the Cities Alliance by Zenta Ilkena, Head, Development Department, Valmiera City Council.

Jelgava

Jelgava, a centre of education, culture and the metal industry, is Latvia's fourth largest city. Once a heavily industrialised city and a significant part of the Soviet Union's command economy, the city was severely affected at the beginning of the 1990s by industry closures and the resultant large losses in employment. As a result, Jelgava has endured hard times and severe social problems.

The city has tried to revitalise its industrial base. Since 2001, a municipal investment bureau has been attracting new investments to the city and has succeeded in increasing the number of job opportunities. The machinery and metal processing industries are once again playing an important role in the local economy, which is showing signs of recovery. The city has managed to attract foreign investors, education programmes are focusing on the needs of the local economy and resources from the EU are assisting the transition.

In 2004, with assistance from the Cities Alliance, the Jelgava City Council and local stakeholders embarked on a CDS to consolidate the transition and local development processes. The outcome was the elaboration of a development strategy for 2004–10 that focuses on local economic development. The process started with an assessment of the current situation, which revealed a number of problems impeding the local economy, such as competition from Riga for qualified and skilled labour. Thus, retention of the local labour force has become a major issue. Municipal representatives and local stakeholders, assisted by experts, analysed, discussed and developed various development scenarios.



Participants at the 6th Valmiera Forum: Planning specialists, politicians, consultants, entrepreneurs

Efforts to reduce unemployment include activities to increase entrepreneurship and to involve groups at risk in economic activities, for example, by creating job opportunities for the disabled. Co-operation with the University of Agriculture of Latvia located in the city has also proved to be important.

The development strategy contains a set of quantifiable objectives to facilitate monitoring and assessment of the strategy's impact during and after its implementation. The City Council believes that the ambitious goals for Jelgava will spur its members to develop and implement an appropriate action plan.

Ilga Muizniece, Project Manager, Investment Department, Jelgava City Council.



THE VOLOGDA OBLAST DEVELOPMENT STRATEGY

The city of Vologda, with a population of 300,000, is an administrative and cultural centre in northwestern Russia famous for its cultural traditions. The oblast (region) of Vologda is much bigger, with a population of almost 1.3 million, two-thirds of whom live in urban areas. The average monthly per capita income is US\$165. Even though the oblast's poverty level is relatively high, it appears to be diminishing.

The region and the city face many challenges, most notably poverty and significant inequality between income groups. The municipal infrastructure is worn out, resulting in poor quality services, such as irregular water supply and inferior water quality. Other developmental and managerial challenges include the deterioration of the land use planning system, the weak legislative regulation of residential and commercial areas, the inadequacy of mortgage lending systems, the barriers facing small and medium businesses and the decline of basic and secondary vocational education systems, despite an increase in the demand for vocational training. Low morale and low wages in



Vologda

the public sector have resulted in the migration of labour to the private sector.

The regional government is actively seeking ways to change the situation and to enhance socioeconomic development, improve the quality of life and alleviate poverty. To that end, the city of Vologda, the Vologda oblast and the business community recently signed a memorandum of understanding to implement a CDS for the city of Vologda. As a first step, a working group was set up, comprising administrators and representatives of local business and research communities. A series of sociological and analytical investigations and a public awareness campaign were carried out. These activities resulted in a draft CDS. However, during the course of developing the CDS, it became apparent that the city's administration would need further assistance to implement the strategy and design specific action programmes to implement the identified priorities. Moreover, the regional government was also interested in disseminating its experience with strategic planning to other municipalities in the form of training materials and the provision of guidelines.

In the absence of both resources and specific skills, the parties decided to approach the Cities Alliance for a grant to undertake a CDS for 13 other municipalities in the Vologda oblast. The intent is to undertake a range of activities designed to improve income levels and reduce poverty, lead to the creation of a better investment climate, and facilitate the creation of new jobs through, among other things, improved and transparent mechanisms for urban management.

The CDS has the active support of the Vologda oblast government, the city of Vologda's adminis-

tration and the business community, and has attracted the support of USAID, the World Bank and the European Bank for Reconstruction and Development.

A comprehensive socioeconomic development programme is to be developed, based on a set of targeted sector programmes and projects funded from the city's budget and by private investors. A monitoring and evaluation system will follow up on implementation. An overarching strategy, possibly consisting of a master plan, will guide and govern the city's spatial development. A new master plan is considered to be vital, as the current plan was developed according to old Soviet standards and is viewed as more of an impediment than an asset.

To reform the city's development institutions and administrative management structures, an urban development agency will be responsible for implementing the CDS. Both domestic and international municipal management best practices will be introduced to the staff of local administrations. The hope is that a set of carefully targeted investment projects will succeed in fostering regional economic growth. A series of public awareness campaigns will be conducted to strengthen consensus for the comprehensive programme of socioeconomic development.

USAID/Russia, Office of Regional Development.

CITY AND REGIONAL DEVELOPMENT STRATEGIES IN AZERBAIJAN

Following the disintegration of the Soviet Union and Azerbaijan's subsequent independence in 1991, the country has undergone a tumultuous transition to an independent, market-based economy. Of the country's estimated 8.3 million people, more than half live in urban areas. While the capital, Baku, which has a population of some 1.8 million, is by far the largest city, 57 per cent of the total urban population resides in secondary cities. Despite significant investments in the oil sector, poverty has persisted, with more than 44 per cent of the population living below the poverty line and 10 per cent living in extreme poverty. The government has committed itself to an ambitious poverty reduction programme.

Local governments are increasingly emerging as crucial institutions for Azerbaijan's economic and social development, and the country's secondary cities have undertaken a number of programmes aimed at urban poverty reduction and regional development. The Cities Alliance has approved a request from the Ministry of Economic Development, supported by the Asian Development Bank, to finance CDSs in three economic regions, aimed at expanding the level of donor co-operation and coordination in these pro-

grammes. The objectives of the CDSs are to establish city wide strategies in three cities in each of the three economic regions. City- and regional-level data will be collected and analysed, followed by a participatory planning process. The goal is to strengthen strategic planning capacity at the municipal level, and to build new partnerships between business communities and civil society. The CDSs will be closely linked to planned lending and technical assistance investment of up to US\$96 million by the Asian Development Bank.

The expected impacts of the CDSs are:

- Increased awareness of the potential of region-based urbanisation and related development processes, plus an understanding of the issues involved;
- Strengthened rural-urban linkages and improved regional coordination and collaboration;
- Enhanced awareness of poverty issues and clear poverty reduction strategies;
- Focused economic development strategies based on local resources and comparative advantages;
- Improved infrastructure and urban service provision.