

CITIES ALLIANCE MEMBERS' REPORTS

In response to members' request for such during the 2005 Consultative Group meeting in Marrakech, the Secretariat developed and posted on the members' page of the Alliance's website a template to capture members' activities for the fiscal year for this and subsequent Annual Reports.

Members were asked to: (i) provide an update on the current urban portfolio; (ii) highlight relevant policy decisions, events or other highlights from the past 12 months; and (iii), comment on biggest challenges they foresee in the medium-term to their efforts to achieve Alliance's goals. Thirteen of the 19 Alliance members decided to participate in the exercise and their various reports are reproduced on the following pages.



BRAZIL

In 2003, the Federal Government, through the Ministry of Cities and with Cities Alliance financial support, formulated a national policy to support sustainable land regularization in urban areas for the very first time. This was achieved through the National Programme to Support Sustainable Land Regularization of Informal Settlements in Urban Areas—“Papel Passado” (Signed Title Programme), coordinated by the national secretary for urban programmes.

The programme supports states, municipalities, NGOs and CBOs, and other public administration entities in the promotion of informal settlement land regularization, eliminating administrative and property barriers that have excluded these informal settlements from the so-called “legal city”, through their full recognition within the formal, administrative, judicial systems of Brazilian cities.

The Programme is based on the following strategies:

- Direct support to municipalities, states, NGOs and CBOs that promote regularization through the transfer of financial resources from the federal budget or the transfer of lands that belong to the federal government and federal government entities that have been occupied by the low-income population.
- Mobilization, capacity building and training of local technical teams, of legal professionals (such as public prosecutors, judges, notary officials, public defenders) and of community leaderships through workshops, courses and the distribution of support material as well as a virtual network to exchange concrete experiences, with the objective of disseminating regularization concepts, instruments and methods.
- The removal of legal and administrative obstacles: Approval of a

provision in a federal law that recognizes free registration in land registration offices and the establishment of agreements with notary publics and public authorities to ensure title registration.

- The revision of the federal legislation on urban land subdivision including a specific chapter on land regularization title (in final stages at the Federal Congress).
- The intermediation of land conflicts preventing forced eviction and articulating negotiation processes that ensure the right to housing.
- The expansion of knowledge concerning the context of irregular land development in the country (letter to mayors, questionnaires and revision of municipal data).

The programme’s projected goal for 2006 (end of actual government term) is to have begun the regularization process benefiting 1,000,000 families, out of which, 400,000 titles had been delivered. By April 2006, the actions in progress had reached 218 Brazilian municipalities in 26 States, benefiting 1,031,069 low-income families with processes already underway and 214,078 delivered titles.



Jubilant residents with their property titles, São Paulo, Brazil.

Cities Alliance



Canadian International Development Agency

Agence canadienne de développement international



CANADIAN INTERNATIONAL DEVELOPMENT AGENCY (CIDA)

CIDA's bilateral and partnership programmes, and other relevant Canadian institutions, are becoming increasingly aware of the Cities Alliance, from its role as a global coalition in urban development cooperation, to its efforts to (i) support the creation of city developments strategies; and (ii) facilitate slum upgrading to improve the living conditions of the urban poor.



City of Vancouver

Aerial view of Vancouver—venue of the highly successful Third World Urban Forum which was held from June 19–23, 2006.

A key outreach event took place on December 6, 2005, with the visit of Mark Hildebrand, the then Cities Alliance Secretariat Manager, to Ottawa. Mark made a presentation to CIDA staff on the work of the Cities Alliance, future directions, lessons learned, and linkages to the Third World Urban Forum which was to take place in Vancouver in June 2006. He also met with officials of the International Development Research Centre (IDRC), the WUF Secretariat, the Sustainable Cities Initiative (SCI) of Industry Canada, and the Federation of Canadian Municipalities (FCM), to explore partnership opportunities within the context of WUF III and beyond.

Among other things, WUF III provided the necessary platform for the networking and the empowerment of cities to mobilize domestic capital for municipal infrastructure investment that the Alliance and its partners will harness to ensure a sustainable implementation of existing and future city development strategies and citywide slum upgrading frameworks in the developing world.

NORWAY



Norway's support for urban issues, and to ameliorating the plight of the urban poor is as strong as ever. World Habitat Day in celebrated October every year has been a contributing factor. Celebrations for 2005 focused on urban financing with Mark Hildebrand, Cities Alliance programme manager as keynote speaker, together with representatives from other Alliance members, including UN-Habitat, Sida, USAID.

The last two years have also witnessed a strong increase in Norway's development assistance for human settlement issues. UN-Habitat's Water and Sanitation Trust Fund, established after the World Summit on Sustainable Development (WSSD) in Johannesburg in 2002, has particularly benefited. Norway became a member of the Cities Alliance's Steering Committee in 2005 and this is expected to lead to extended future co-operation.



Cities Alliance

Norway's strengthened support to UN-Habitat's Water and Sanitation Trust Fund has enhanced its work in slums like Kibera in Nairobi.



AGENCE FRANÇAISE DE DÉVELOPPEMENT (AFD)

AfD manages a portfolio of about 100 urban development projects in 30 countries and annually prepares about 12 new ones amounting to a commitment of €150 million euros per year. Projects are financed by grants to less advanced countries (LACs) or by loans in middle income countries (MICs).

As AfD promotes the central role of local governments to urban development, most of the projects are undertaken within a general decentralization framework in cities such as Nouakchott, Niamey, Ouagadougou, Cotonou, and Accra. The rationale of the projects is to encourage the launching of an urban development strategy with a special emphasis on mass-poverty reduction and a support to urban management. AFD notably co-financed several city development strategy activities in Cotonou, Douala, Sfax, Tripoli and other cities. Municipal contracts, based on the findings of financial, institutional and technical audits, provide a way to enhance the management capacities of the municipalities and to adapt the investments in regards of the needs of the concerned area. This tool is successfully implemented in a number of countries like Senegal, Niger, Tunisia, etc. Projects in dedicated sectors are also actively encouraged like transport (Vietnam, Tunisia) or waste management (Kenya, Mauritania).

Direct financing to local authorities is sometimes the preferred approach in keeping with AfD's strategic objective to finance not only central governments (sovereign finance) but



Satellite photo of project for the improvement of the peripheral districts of Ouagadougou (Burkina-Faso).

also local governments (sub-sovereign finance), either directly or via specialized institutions or, alternatively, by facilitating their access to financial markets. This presupposes moving away from one-off initiatives based on decisions to finance a specific project, and moving towards financing mechanisms that meet medium to long-term financial needs, such as the activities conducted by specialised financial institutions (Tunisia, South Africa). This kind of project is also under preparation in Jordan and in Palestine. AfD also supports programmes at the national level: for example, housing in Algeria, and Morocco, and post earthquake rehabilitation in Algeria and Pakistan.

GERMANY



Update on Current Portfolio

Urban issues addressing the urban poor in the German Development Co-operation are cross-cutting topics. Urban development is therefore integrated into 5 of 11 sector-focuses

- Democracy, civil society and public administration
- Water and Sanitation
- Infrastructure and Transport
- Economic development
- Environment

Almost 15 percent of projects supported by the Cities Alliance are prepared and implemented in close cooperation with ongoing development programmes co-financed from the German Governments bilateral programme (19 projects).

Relevant Policy Decisions, Events or Other Highlights from the Past 12 Months

1. Cities and their role for the UN Millennium Development Goals, Development Policy in Dialogue with Mayors Berlin, 11th of May 2005.



Chile Housing project sponsored by Germany through GTZ.

Cities Alliance

2. Germany continues to support the Cities Alliance through its direct cooperation with its partners in the cities as well as through financial and personal support of the Alliance's secretariat.
3. Eschborn Dialogue/GTZ Spotlight 2005 Focus—Fascination—Future: Designing tomorrow's cities/ "Development policy is increasingly turning into urban policy."
4. KfW Panel discussion on rural-urban linkages in Bonn.
5. Megacities research programme of BMBF (Federal Ministry of Education and Science). This programme consists of research projects on innovative strategies for sustainable urban development and implementation of integrated approaches to planning and management in 15 Asian, African and Latin American cities.



Biggest Challenges for the Medium-Term to Achieve Alliance's Goals

In accordance with the Paris Declaration on Aid Effectiveness there is a notable shift from German bi-lateral development to multilateral cooperation. Moreover, within the bi-lateral cooperation Germany will consolidate its effort to concentrate on cooperation with selected partner countries and focus on priority areas.

In the urban sector the Millennium Development Goal 7-11 will continue to be the focus of Germany's effort for the improvement of the living conditions of slum dwellers. Increasing global urbanization, however, demands that cross-cutting, all-embracing and comprehensive strategies will have to be devised to cope with the process.

More emphasis should be laid on local revenues generation and financial management in order to mobilize further financial resources for local governments in partner countries. Most important, new strategies to involve the private sector in the financing and managing of the urban sprawl will have to be found.

Update on Current Portfolio

Slum upgrading projects are ongoing in cities such as Kano, Lagos and Onitsha. The projects are aimed at improving the living conditions of the urban poor and also to tackle the high incidence of poverty and high unemployment through job creation and empowerment initiatives. Participation is key to the projects with various stakeholders actively involved in the design, financing and implementation of projects to encourage ownership and sustainability.

Relevant Policy Decisions, Events or Other Highlights from the Past 12 Months

- Review of both national urban development and national housing policies.
- Ongoing review of the land use decree.
- Establishment of a federal lands information system (FELIS).
- Establishment of the national housing and urban development data bank.
- Development of a national urban observatory which will feed into the existing UN Global Urban Observatory.

Biggest Challenge for the Medium-Term to Achieve Alliance's Goals

Challenges include the following:

- Poorly conceptualized projects;
- Inadequate project management skills/capacity of government officials, especially at local government level;
- Inadequate financial resources;
- Inadequate technical capability;
- High unemployment levels/high incidence of poverty;
- Lack of adequate political will to initiate or sustain projects; and,
- Poor implementation of strategies/inadequate follow-up.



Craft straw industry in Lagos, Nigeria.

Curt Carnemark / World Bank



SWEDISH INTERNATIONAL DEVELOPMENT ASSOCIATION (SIDA)

Update on Current Portfolio

Sida Urban Development Division is supporting a number of activities to alleviate the situation of the urban poor; including several bilateral programmes in Central America on housing finance, Community-Led Infrastructure Finance Facility (CLIFF), Slum Upgrading Facility (SUF), GuarantCo and CGAP.

Relevant Policy Decisions, Events or Other Highlights from the Past 12 Months

To present a few highlights from last year, Sida convened a seminar entitled, "Creative Urban Finance for the Poor" with attendance from NGOs, donor agencies, universities, and commercial banks. In addition, Sida also decided to support a large bilateral housing finance programme in Guatemala.

Sida's urban policy, "Fighting poverty in an urban world," captured in a comprehensive publication titled, *More Urban, Less Poor* was successfully launched at the Third World Urban Forum in Vancouver in June 2006.



UK DEPARTMENT FOR INTERNATIONAL DEVELOPMENT (DFID)



Update on Current Portfolio

In 2006, the UK government announced £41 million to support the Madhya Pradesh Urban Services Programme to strengthen state delivery of quality services for the urban poor. Similar programmes in Andhra Pradesh and Kolkata are also being funded.

The UN-Habitat managed Slum Upgrading Facility (SUF), which is now ready to commence pilot activities in Tanzania, Ghana, Indonesia and Sri-Lanka, and the Community-Led Infrastructure Financing Facility (CLIFF) in India and Kenya continued to receive UK funding.

Relevant Policy Decisions, Events or Other Highlights from the Past 12 Months

The Commission for Africa was launched by the British Prime Minister, Tony Blair in February 2004. The aim of the Commission was to take a fresh look at Africa's past and present and to propose a package of measures to achieve the Commission's goal of a strong and prosperous Africa. The Commission's

Report, published in 2005, highlighted the problems of rapid urbanization in Africa, stressed the need for improved city management and made particular recommendations on scaling up investments in infrastructure.

In February 2006, the UK Parliament held its first ever debate on urbanization in developing countries. Members of Parliament called for a higher priority for urbanization on the international development agenda, with a particular emphasis on promoting security of tenure for slum dwellers, better urban governance and the development of financial instruments for slum upgrading.

Biggest Challenges for the Medium-Term to Achieve Alliance's Goals

Urban management is a highly political process but too often is seen as a technical issue. Going forward, DFID and other development partners will need to give greater consideration to their role in supporting complex and highly politicized processes such as decentralization.

We will also need to be better at assessing and responding to the spatial dimensions of poverty, policies and institutions. Simplistic rural versus urban thinking is now largely discredited and policies need to support economic and livelihood systems along the rural urban continuum with planning integrated across layers of government.

In terms of financing the urban infrastructure gap, donors will need to be more effective at assessing, and where necessary increasing, the capacity of the public and private sectors to provide basic services and infrastructure that supports economic growth. Increased resources and expertise will need to be leveraged from the International Financial Institutions (IFIs), bilateral donors and the private sector.



Curt Camemark / World Bank

Market women in Mathare, Kenya, beneficiaries of a DFID support for sanitation services.



US AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID)

Update on Current Portfolio

USAID's support for urban development is focused on three core areas: (i) city management and improved service delivery, (ii) urban finance, and (iii) local economic development. Specific activities include support for financing slum upgrading in India, South Africa and Morocco, youth employment training in 16 Latin American countries, local economic development planning and implementation in Eastern Europe, infrastructure financing in Mexico and South Africa, advocating for land tenure and title deeds in Africa, and city management and planning in over 25 countries.

Relevant Policy Decisions, Events or Other Highlights from the Past 12 Months

Globally, in 2005, USAID initiated partnerships between U.S. municipal managers and their counterparts in Mali, Ethiopia, Russia, and India targeting solid waste management, disaster preparedness, and local economic development. USAID field missions in Africa have adopted a new strategy that will focus on addressing urbanization through multiple sectors, such as in Zambia in which housing for 5,000 households will begin construction in 2006. In South Africa, USAID's construction part-



Friedrich Stark / Still Pictures

Aerial view of Cape Town, South Africa, taken from Table Mountain.

ner, Evensen Dodge International, advised the Cities of Tshwane and eThekweni on the restructuring of \$1 billion of debt targeted for improved municipal infrastructure services. Local governance strengthening and local economic development strategies are being applied in Indonesia, Lebanon, Jordan, India, and Bangladesh. Asia missions are also adopting a water finance strategy beginning with the Philippines Mission which signed a loan agreement to finance 16,000 new connections and reduce unaccounted-for water over seven years through the Municipal Water Loan Finance Initiative, a joint USAID-Japanese Bank for International Cooperation (JBIC) effort.

Biggest Challenge for the Medium-Term in the Member's Efforts to Achieve Alliance's Goals

Part of the difficulty in allocating funding and implementing activities for urban development is the multi-disciplinary nature of urban issues. A coordinated approach that addresses urban poverty reduction from a spatial lens is needed to achieve the Alliance's goals. However, USAID typically provides funding through a wide array of development sectors such as water and sanitation services, municipal finance, and service delivery. Such a variety of programmes in urban issues spread across a number of sectors can sometimes lack the coherence necessary to effectively address urban poverty reduction.



Friedrich Stark / Still Pictures

Youths playing football by a power station in Mexico City.

UNITED CITIES AND LOCAL GOVERNMENTS (UCLG)



Update on Current Portfolio

UCLG and Cities Alliance consolidated their partnership by signing two landmark project agreements: The first project will facilitate the development of MDG-based City Development Strategies and the integration of MDG-based targets into CDSs. The second supports the establishment of the UCLG Committee on Local Finance to advise UCLG members and the Cities Alliance on matters relating to municipal finance and resource mobilization, and to assist UCLG members to access current thinking and innovations on ways to increase the flow of long term finance capital to developing cities.

Relevant Policy Decisions, Events or Other Highlights from the Past 12 Months

Over 1000 cities and Local Government Associations expressed their commitment to the MDGs by joining the UCLG Millennium Towns and Cities Campaign. Following this, Heads of State and Government explicitly recognized the role of local authorities in contributing to the achievement of the MDGs in the outcome document of the Millennium +5 Summit.

At the UCLG Executive Bureau meetings in Washington, Mayors and local government leaders from across the world put municipal finance centre stage in their exchange with the World Bank President, who announced that the Bank wished to develop its partnership with UCLG and develop new instruments to lend directly to local authorities without sovereign guarantee.

UCLG has continued to promote the role of local government in the global development agenda. Following a strong contribution from the UCLG delegation at the World Water



UCLG

UCLG Co-President, Paco Moncayo, Mayor of Quito, and Wim Deetman, Mayor of the Hague with Kofi Annan, UN Secretary General during the UCLG Mayors Delegation.

Forum, governments recognized the role played by local authorities in increasing sustainable access to water and sanitation services and supporting integrated water resource management.

Biggest Challenges for the Medium-Term to Achieve Alliance's Goals

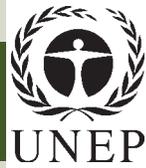
Over the medium term, UCLG will be working to ensure that more medium-sized cities in developing countries become involved with the Cities Alliance and develop MDG-based City Development Strategies (CDS). UCLG's close involvement in the Cities Alliance means that its global network of local governments can be mobilized to promote MDG-based City Development Strategies (CDS) to medium-sized cities.

With cities providing services for 50 percent of the world's population and being called on to serve an ever greater number of citizens in the future, UCLG and its members will be calling for financing mechanisms to be decentralized to directly benefit cities. UCLG will be working with donors and international financing institutions towards support for cities in the form of loans and international investment that really takes into account the priorities of local governments.



UCLG

White banners displayed on town halls as part of the UCLG, Millennium Towns and Cities Campaign '2015: No excuse! The world must be a better place.'



UNITED NATIONS ENVIRONMENT PROGRAMME (UNEP)

Update on Current Portfolio

In fiscal year 2005, the Alliance approved six projects which UNEP is supporting financially and/or through technical assistance. These include a CDS in Dakar, Senegal in cooperation with UN-Habitat, where UNEP is conducting an environmental assessment; a National Urban Development Strategy in Bhutan, in cooperation with the World Bank, where UNEP is conducting an environmental assessment; an upgrading project in the city of Yangzhou, China for which UNEP will provide technical support; and an industrial restructuring project in Heilongjiang Province, China with the World Bank, where UNEP is playing an advisory role.

Relevant Policy Decisions, Events or Other Highlights from the Past 12 Months

UNEP's Executive Director has approved a UNEP–Cities Alliance strategy which has increased UNEP's involvement in Alliance activities in particular, and urban sustainable development in general. UNEP presented a concept note on the how to strengthen the environment component within the Alliance's activities to the 2005 Cities Alliance Consultative Group meeting in Marrakech, Morocco. Consequently, the Consultative Group requested UNEP and the Alliance Secretariat, in cooperation with UN-Habitat, to undertake an analysis of the gaps and best practices in sustainable urban planning, city development and slum upgrading. The outcome of this Environment Initiative will be presented at the 2006 Consultative Group Meeting, now to be held in Washington, D.C. in November 2006.

Biggest Challenge for the Medium-Term to Achieve Alliance's Goal

The biggest challenge remains how to mainstream and institutionalize the environmental dimension into Cities Alliance's activities. The Environment Initiative is a first step towards providing good examples and tools to Alliance members and clients, but a lot more work needs to be done to elevate the environment to the same level as other Alliance application criteria.



Zhao Weiming / UNEP

Severe environmental pollution from industrial waste in China.

UNITED NATIONS HUMAN SETTLEMENTS PROGRAMME (UN-HABITAT)



Update on Current Portfolio

During the year under review, the work of the United Nations Human Settlements Programme, UN-Habitat, as the focal point for the coordinated implementation of the Habitat Agenda, the Declaration on Cities and other Human Settlements in the New Millennium and the Millennium Development Goal 7, targets 10 and 11, drew UN-Habitat and its partners in government, regional and local authorities, and civil society closer to the lives of the urban poor than ever before.

Relevant Policy Decisions, Events or Other Highlights from the Past 12 Months

At its 20th session in Nairobi in 2005, the Governing Council passed 21 resolutions on a range of subjects all pointing to the need for the international community to focus on the critical issues of rapid urbanization and the consequent urban poverty crisis: The water and sanitation and health crisis in many cities and towns, a shelter trauma manifested in ever growing slums, housing and shelter finance problems, land and property rights and lack of secure tenure. UN-Habitat developed two initiatives designed specifically to support the attainment of the slum upgrading and water and sanitation targets of Goal 7 on envi-

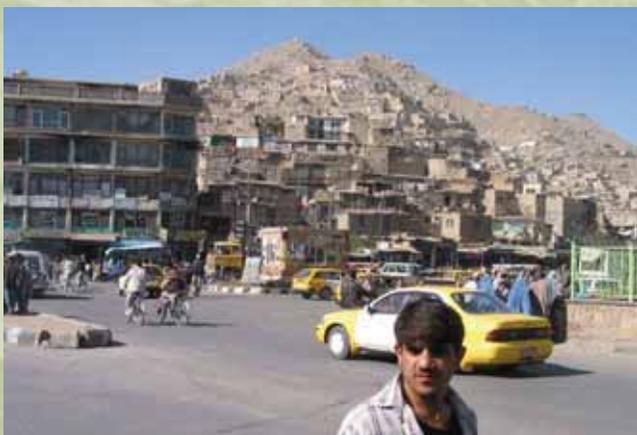


Dr. Tibaijuka with Stephen Harper, Canadian Prime Minister and other guests at the opening ceremony of WUF III in Vancouver.

ronmental sustainability of the Millennium Declaration. UN-Habitat was running 99 technical programmes and projects under execution in 60 countries around the world, the majority of them in the least developed countries (LDCs).

Biggest Challenge for the Medium-Term in the Member's Efforts to Achieve Alliance's Goals

Managing the slum crisis is arguably the biggest problem confronting humanity in the 21st century. UN-Habitat's latest research gives a measure of the challenge of the urban crisis: Asia accounts for nearly 60 percent of the world's slum population with a total of 581 million slum dwellers in 2005. Sub-Saharan Africa had 199 million slum dwellers constituting some 20 percent of the world's total. Latin America had 134 million making up 14 percent of the total. At the global level, 30 per cent of all urban dwellers lived in slums in 2005, a proportion that has not changed significantly since 1990. Given this context, the system-wide reform of the United Nations, which UN-Habitat fully supports, needs to galvanize its strength as never before in the quest for sustainable urbanization. It is our duty as members of the Alliance to ensure that the rights and needs of the urban poor are recognized and addressed.



Ongoing reconstruction in Kabul, Afghanistan.



Update on Current Portfolio

World Bank lending approvals for Urban Development quadrupled in fiscal year 2005 to \$2.75 billion and reached \$1.7 billion by the second half of fiscal year 2006. In addition to lending from dedicated urban units, the World Bank also lends to cities through other operational sectors like health and education, power, and transport. For fiscal year 2005, estimated lending to “urban spaces” was about \$7.1 billion.

The World Bank’s urban development strategy prioritizes livability, defined as a decent quality of life and equitable opportunities for all, including the poorest, to achieve a healthy and dignified living standard, using the three other strategic dimensions or pillars—good governance, bankability and competitiveness—to achieve this goal.¹

The World Bank has recently developed slum upgrading programmes in Jamaica and Brazil to explicitly address problems of crime and violence². Approved housing sector programme loans to Mexico and Brazil take comprehensive approaches to address upgrading in the context of reforms in land, finance and subsidies. In India and South Africa³ slum dweller organizations are setting many of the terms for upgrading to proceed and raising the bar for community participation in these or other operations.

The World Bank and UCLG are collaborating with the Cities Alliance to help cities and local governments contribute to National Poverty Reduction Strategies by developing MDG-based city development strategies.

Relevant Policy Decisions, Events or Other Highlights from the Past 12 Months

Some of key events in the World Bank’s operations in the urban sector for the year under review include:

- Annual World Bank Urban Forum: The theme for this year’s forum was “The Challenges of an Urbanizing World”. Participants comprising more than 160 World Bank staff, 35 external invitees and 9 donor agencies examined the challenges urban poverty, infrastructure, governance, growth, spatial, vulnerability and political economy.
- Third World Bank Urban Research Symposium on “Land Development: Urban Policy and Poverty Reduc-



Katherine Sierra (World Bank) and Elisabeth Gateau (UCLG) sign cooperation agreements on MDG-based city development strategies.

tion” which was organized in collaboration with the Institute for Applied Economic Research, Brazil. This event was successful in: (i) showcasing and promoting applied urban research on land development and poverty reduction in developing and transition economies; (ii) developing areas for collaborative research and (iii) enabling discussion of experiences of design and implementation of public policies as well as developmental results of public programmes, and of partnerships among researchers working on these topics.

- “Practitioners’ Conference on Mobilizing Urban Infrastructure Finance in a Responsible Fiscal Framework: Brazil, China, India, Poland and South Africa” in January 2005: This was organized in cooperation with the governments of India, Brazil, CAIXA Economica Federal, DFID, USAID and PPIAF organized in January 2005. The conference addressed different dimensions for reconciliation between fiscal policy and urban infrastructure investment: in policy design, analytical understanding, national and international debt rules, and the politics of policy implementation.

Challenges to Achieving Cities Alliance’s Goals in the Medium-Term Include:

- How to expand the options for financing instruments in slum upgrading within the limits of fiscal space and competing demands in client countries.
- Furthering empirical research in urban leading to stronger policy focus and investments in urban areas.