

## The e-Newsletter for the Cities Alliance

October, 2005

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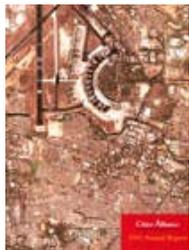
» Main News

### Millennium Project Director, Jeffrey Sachs emphasises pivotal role of cities to meeting the MDGs

The Cities Alliance gratefully acknowledges the contribution of Professor Jeffrey Sachs, Special Advisor to United Nations Secretary-General, Kofi Annan, and Director of the three-year UN Millennium Project, to the Foreword of its just published [2005 Annual Report](#). Sachs notes that cities will play a pivotal role in meeting the Millennium Development Goals (MDGs): "Cities are not only home to half of humanity, and much of the world's poverty, but are also engines of global trade, innovation, and economic growth. Successful urban development is also critically important for rural development, as cities provide both vital inputs and output markets for rural producers."



"Yet, too many cities in the developing world are experiencing massive population growth, sprawl, environmental stress, and low economic productivity. Too many African cities, even coastal cities with high potential for sea-based trade, are poorly integrated into the world economy. Slum areas are expanding, formal jobs are scarce, and informal employment is the norm rather than the exception. Moreover, urban political authorities are often too disempowered and lacking in the financial and political resources needed to work effectively with civil society to manage urbanisation."



To meet the MDGs, "cities in low-income and middle-income countries need to draw up bold, long-term strategies for investments in health, education, infrastructure, and environmental management sufficient to achieve the MDGs in the urban setting. These strategies must build on slum upgrading; security of tenure for poor urban residents; community participation; and enhanced international competitiveness through upgraded urban infrastructure, including industrial zones, telecommunications, power and port facilities."

Sachs welcomes the Alliance's *2005 Annual Report* as both important and timely, as it provides a vital pathway for cities that aspire to achieve the MDGs. If the ideas in this year's report are put into action, he concludes, "the world will take an important step closer to ending poverty, reversing the spread of slums, and creating conditions for prosperous and healthy urban environments."

The full report can be downloaded from the Cities Alliance website at <http://www.citiesalliance.org/publications/annual-report/2005-annual-report.html>

### Empowering Cities to Attract Finance

The first chapter of the Cities Alliance *2005 Annual Report* discusses the need for creating enabling environments, where cities and local authorities can mobilise domestic long-term capital to finance the infrastructure investments needed to achieve the MDGs. Key lessons from the discussion are captured below under their respective headings:

#### The Challenge

"Currently, close to 900 million people live in urban slums, an estimated 1 billion lack access to adequate water supply, 2 billion do not have access to adequate sanitation, and 4 billion live without adequate wastewater disposal. The financing required by cities to address these challenges is daunting. For example, the UN Millennium Project's Task Force on Improving the Lives of Slum Dwellers has estimated that the investment required to upgrade slums and provide alternatives to new slum formation between 2005 and 2020 will be of the order of \$20 billion per annum."

"Meeting these challenges requires the transformation of cities from passive service providers to more proactive facilitators of infrastructure and services. This transformation cannot occur without imparting real authority, responsibility and resources to local government through a process of empowerment. "

#### Empowering Cities to Take the Lead

"Experience worldwide is now clearly demonstrating that urban infrastructure can be financed by cities accessing private capital markets, as long as supportive policy, legal and regulatory frameworks are in place. The Alliance's review of experience across continents highlights not only the diverse historical contexts of urbanisation but also the common challenges cities and countries face in accessing domestic capital. Key lessons are that:

- Larger cities with medium-term investment plans such as Johannesburg, Shanghai, Ahmedabad, and Ho Chi Minh City have been able to repeatedly access local capital markets and establish a credit relationship with the private sector.
- Smaller and medium cities have found ways to access the capital market through intermediaries such as Financiera de Desarrollo Territorial (FINDETER) of Colombia, Infrastructure Finance Corporation Limited (INCA) of South Africa, Michoacan in Mexico, and the Tamil Nadu Urban Development Fund (TNUDF) in India.
- There are a number of other serious efforts to develop local capital markets via the use of specialised financial intermediaries. Examples include [CAIXA Econômica Federal](#) in Brazil, Municipal Development Fund Office (MDFO) in the Philippines, and Fonds d'Équipement Communal (FEC) in Morocco.



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### We Welcome Your Articles

We invite Cities Alliance members and partners to submit articles on their activities, with a strong focus on impacts and lessons learned therefrom. For further details on providing such submissions send an e-mail to: [info@citiesalliance.org](mailto:info@citiesalliance.org)

Partnerships between national and city governments in which duties and responsibilities are specified through legislation or contracts energise the prospects for mobilising domestic capital as with Douala, Cameroon, and Cheboksary, the Russian Federation.

- Macro adjustments which cramp fiscal space for infrastructure have hurt cities, especially in the late 1990s, as with the experience of Brazil, India, and the Russian Federation. "

#### Sustainable Urban Financing: Lessons from Successful Cities

"Empowering cities to attract finance requires policies and interventions which promote better coordination between demand and supply. On the *demand* side is the ability of cities to attract private domestic debt on a sustained basis, which is dependent on the stability of revenue streams over the life of the loan. On the *supply* side, the key determinant is a framework which makes available domestic savings (often generated by growth in cities) as long-term debt for urban infrastructure development."

"The urban finance situation in any given country is therefore an outcome of demand and supply factors, categorised respectively as *city empowerment* - the technical and managerial capacity, investment autonomy and financial capacity of cities to borrow, and the *macro environment* - the fiscal space available for cities after the borrowing needs of national governments from domestic markets have been met. In situations where the demand side actions (empowerment) are not coordinated with supply-side actions (macro environment), sub-optimal outcomes emerge."

#### Partnerships and Collective Actions

"This underscores the need for collective actions by cities, national governments and their development partners to address demand- and supply-side imbalances. Recent initiatives towards partnerships include actions at the global, country and city levels. The Cities Alliance has taken bold steps in this regard with the launch of a major municipal finance partnership to help cities become proactive developers of urban infrastructure by mobilising domestic long-term capital. Comprising experts and practitioners from rating agencies, private sector financial institutions, and bilateral and multilateral banks and development agencies, the Municipal Finance Task Force (MFTF), is designed to analyse and share the knowledge and experience of cities which have successfully mobilised long-term private capital and the frameworks which need to be in place at all levels of government to facilitate this process."

"In parallel, the Alliance is also supporting an initiative of United Cities and Local Governments (UCLG) to establish both a global and regional commissions of mayors on municipal finance that will both interact with the MFTF and help broaden and deepen the engagement of cities in improving these instruments and their application."

"Private finance is comfortable with public entities which have an inclusive and broadly based investment strategy, as both characteristics substantially reduce cyclical political risks. Therefore, using the CDS framework as an entry point for a city to undertake a financial stocktaking, and identify the steps it needs to take to build bridges with local markets for financing its development strategy would be a logical policy step."



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#### Cities Alliance Evaluates Lessons Learned from the CDS process

The Cities Alliance has since its launch in 1999 promoted CDSs as a collaborative decision-making process designed to help reduce urban poverty and provide a basis for sustainable urban development. Over the last six years, virtually all Alliance members have been directly engaged in supporting this process at the country level, and are increasingly using the Alliance's participatory approach to CDSs to improve the quality and strengthen the impact of urban development co-operation and urban lending. An anniversary review of the state of the CDS process initiated by the Cities Alliance shows that the results to date have been encouraging. A section of the "Learning and Knowledge Sharing" chapter of the 2005 *Annual Report* is dedicated to evaluating the lessons learned from the CDS process in the over 160 cities the Alliance has been working in.

One of the key lessons that has emerged so far is that for CDSs to be effective, participants need to see implementation, rather than development of the CDS, as their primary goal. The sustainability of the CDS process also depends to a great extent on active involvement by national governments and by national associations of local authorities.

Another key lesson is that implementation must be grounded on access to capital, whether derived from city budgets, local capital markets or from investments by development banks. CDSs also often lead to necessary reforms, such as the adoption of new policies, and in addition, increase the capacity of citizens and local authorities to make informed choices and achieve greater equity in sharing costs and benefits.

The challenges, priorities and potential of individual cities make each CDS unique, resulting in a number of variations in the design of end products. While many of the different designs are due to diverse local conditions, they also vary because of the various actors' differing experiences. The Cities Alliance has listed a number of good practices on its web site, <http://www.citiesalliance.org/activities-output/topics/cds/cds-activities.html> most of which have emerged from practical processes that the Cities Alliance has supported.

Cities should assess the impact of CDSs in terms of poverty reduction and other broad development goals. They can achieve this by incorporating methods for monitoring and evaluation throughout CDS design and implementation, to help determine whether a CDS is achieving its objectives and realising its intended outcomes.

Looking ahead, it is clear that a number of issues need to be integrated into the way cities are formulating their visions and strategies. Some of the key challenges include integrating CDSs and citywide slum upgrading, strengthening cities' role in improving their investment climate and supporting local economic development, incorporating the evaluation of cities' ecosystems in efforts to achieve environmental sustainability and mobilising domestic long-term capital for urban infrastructure investments.

In keeping with its objective of fostering new tools, practical approaches and knowledge sharing for CDSs, the Alliance's secretariat is currently preparing a guideline document designed to summarise the lessons learned and make CDSs as useful as possible. This document will draw on the lessons learned to date and will focus on the following:

- Primary **building blocks** of the CDS process, including
  - i. planning and strategising (for example, guidelines for rapid assessment in CDS processes, vision statements and key strategic thrusts),
  - ii. characteristics of a good strategy,
  - iii. implementation;
- Major **themes** to be covered in a CDS, such as poverty reduction and prevention, local economic growth, competitiveness, job creation, environmental programming and impacts and municipal finance and governance;
- **Process** - participation in and ownership of CDSs, including analysis of the design of CDSs' participatory and ownership-building processes, and of the resulting outcomes, such as the legitimacy and sustainability of the CDS process;

**Monitoring and evaluation**, including appropriate monitoring and evaluation mechanisms and tools for a CDS both during and after implementation.

### UN Millennium Summit Outcome Document underscores role of Local Governments to meeting the MDGs

The [Summit Outcome Document](#) of the recently concluded UN Millennium Summit 2005 underscores the significant role of local authorities to the achievement of the MDGs. The 40-page outcome document was unanimously adopted by the over 150 Heads of State and Government that attended the three-day meeting, which was held in New York from September 14 to 16.

Local authorities are mentioned as major partners with the United Nations, with a specific paragraph being dedicated to local governments' contribution to the achievement of the MDGs. The specific references to this role are due in no small measure to the United Cities and Local Governments (UCLG) CLG mayors delegation meeting with UN Secretary General, Kofi Annan, and with Jan Eliasson, incoming President of the UN General Assembly, on 8 September in New York, just prior to the summit meeting, and to the various political actions undertaken by UCLG's members.

The actual wording of this role in the Outcome Document adopted by governments is captured in paragraph 173 of the document, under the header:

#### 'Participation of local authorities, the private sector and civil society, including non-governmental organizations'

"173. We underline the important role of local authorities in contributing to the achievement of the international development goals, including the Millennium Development Goals".

Reaffirming "our faith in the our faith in the United Nations and our commitment to the purposes and principles of the Charter and international law," the Document expressed strong and unambiguous commitment by all governments, in donor and developing nations alike, to achieve the MDGs by 2015, and to pledges that would raise an additional \$50 billion a year by 2010 for fighting poverty. It also contained commitment by all developing countries to adopt national plans for achieving the Millennium Development Goals by 2006.



UN Secretary General Kofi Annan and UCLG Mayors

### » Partnership News

#### Cities Alliance Seeks New Programme Manager

The Cities Alliance has begun a worldwide executive search for a new Programme Manager to succeed Mark Hildebrand, its pioneer Manager who retires early next year.

In a release to the Cities Alliance Consultative Group on the recruitment process, Maryvonne Plessis-Fraissard, Director of the World Bank Transport and Urban Department which hosts the Alliance's Secretariat said, "We have a very big task ahead of us -- to recruit a replacement for Mark Hildebrand. These are big shoes to fill. The Cities Alliance has become such an important and influential partnership in a short time in large measure because of Mark's leadership, expertise, energy and devotion. We should set our standards high in looking for an individual with exemplary leadership skills to help take us into our next stage of scaling up."

The full job description for the position and application process are available on the Cities Alliance website at <http://www.citiesalliance.org/publications/of-current-interest/programme-manager.html>. It can also be accessed from the World Bank's external website as Vacancy # 200509074 at: <http://inweb28.worldbank.org/HRS/careers.nsf/postings/200509074?OpenDocument>

#### Municipal Finance website launched

The Municipal Finance Task Force (MFTF) website, designed to help disseminate information about the MFTF to the public, and to allow the MFTF to share information about their efforts has been officially launched. The website includes a Discussion Forum, where visitors can contribute opinions in several major areas of local government finance; a Document Upload feature enabling registered MFTF members to add documents to the digital library, as well as add news postings to the site; and, a free Subscription service that enables members receive up-to-date emails on the news stories, events, documents or related sites on municipal finance.

Click here to access the website: <http://www.mff.org/>

#### Cities Alliance Co-hosts Slum Electrification Workshop in Bahia

About seventy delegates from around the world gathered in the city of Salvador, in the Brazilian state of Bahia from September 12 to 14 to share experiences at the Workshop on "Improving Electricity Service for the Urban Poor," co-hosted by [ESMAP](#), [USAID](#), [COELBA](#), the [Inter-American Development Bank](#) (IDB), the [Cities Alliance](#) and [Electricité de France](#).

The debate was framed in the keynote address, "The Challenge of Providing Energy Services in Low Income Urban Areas," delivered by Dominique Lallement, the Manager of ESMAP. Painting a broad context for the challenge of energy poverty she notes that 1.6 billion people lack access to modern energy services. At current electrification rates, there will still be 1.4 billion such people in 2030. Two to three billion people – one third to half the planet's population – rely on traditional biomass wood-fuels, charcoal and dung for their basic energy needs: heating for cooking. About 70% of urban areas have access to energy in developing countries, 40% or less in rural areas. In Africa, the latter rate is less than 5% overall. The poor also spend a higher share of their disposable income on poorer quality energy services than the better off.

Against this context workshop participants discussed case studies presented from India, Venezuela, Georgia, Morocco, Colombia, Haiti, Brazil, Argentina, Malawi, Vietnam, the Dominican Republic, the Philippines and South Africa.

To access the presentations at the workshop click here: <http://www.citiesalliance.org/publications/homepage-features/sept-05/slum-electrification-workshop.html>

### » Upcoming Events

#### Ghana Municipal Finance and Management Initiative (MFMI), Conference, Accra, Ghana - October 10 to 11, 2005

As part of efforts to raise locally generated revenue for funding infrastructure projects in Ghana, the Ministry of Local Government and Rural Development in conjunction with the Ministry of Finance and Economic Planning and other sector ministries, is organizing a stakeholders' conference on Municipal Finance and Management with the theme, "Towards A Sustainable Revenue Generation for Urban and Local Government Infrastructural Development through Municipal Finance and Management Initiative."

To be held from October 10 to 11, the conference aims to adequately provide national and local government officials the necessary capacity to set the stage to strengthen Municipal Finance and Management in Ghanaian cities. Topics for discussion include:

- Global Experiences in Municipal Finance and Management;
- African Experiences in Municipal Finance and Management;
- Challenges and Prospects of Municipal Financing in Ghana;
- Preparedness of Accra for Municipal Financing – Situational Analysis;
- Legal and Regulatory Framework for a Successful Municipal Finance and Management System;
- Capacity Building for a Municipal Finance and Management Program;
- Institutional Review.

Reports and other documents from the conference will be posted on the Cities Alliance website as they become available.

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#### **Cities Alliance Public Policy Forum/Consultative Group Meetings, Marrakech, Morocco - November 7 to 11, 2005**

The city of Marrakech will host the next Cities Alliance Public Policy Forum and Consultative board meetings from November 7 to 11, 2005. Preparations are in full gear with both the government of Morocco and local authorities to ensure a successful event, which will also afford the government an opportunity to showcase its *Villes sans Bidonvilles* programme.

Proposed topics for discussion include:

- Strategic approaches and evaluation of the *Villes sans Bidonvilles* programme
- Partnership and Implementation
- Pro-poor Urban Development in the Middle East and North Africa
- The *Villes sans Bidonvilles* programme and Local Governments
- The Social Impacts of the *Villes sans Bidonvilles* Programme
- Financing Urban Shelter

The final agenda of the PPF will be posted on the Cities Alliance website as soon as it is becomes available.

#### **» Publications Announcement**

#### ***Financing Urban Shelter: Global Report on Human Settlements (London and Nairobi, UN-HABITAT, 2005)***

By the year 2030, an additional 3 billion people, making up about 40 per cent of the global population, will need housing and basic infrastructure services, according to UN-HABITAT's latest flagship report, [Financing Urban Shelter: Global Report on Human Settlements 2005](#). Providing housing to new residents, at the rate of 96,150 housing units per day, is essential if this additional population is not to be trapped in urban poverty, poor health and low productivity, argues the 246-page report that was launched during the UN Millennium Summit 2005.

The housing crisis is already with us, says the report. The large-scale evictions from urban areas of Zimbabwe, Mumbai, India, or Malawi are all part of a larger problem of financing urban shelter. The increasing pressure for housing finance is being felt all over the world. In Peru, 82 per cent of the 8 million people living in greater Lima are classified as poor. At least half of poor households and 60 per cent of the poorest households express a strong desire to expand or improve their home within the next 12 months. However, only 10 – 15 per cent are borrowing from formal or informal sources.

In Indonesia, during 2000, the country's urban population of 85 million already represented 40 per cent of the total. By 2010 it will be 50 per cent, representing 120 million people. Annual projections for housing needs for the next ten years are approximately 735,000 new units, and an additional 420,000 in need of improvement. But seventy to eighty per cent of all housing in Indonesia is constructed informally, with minimal access to formal financial markets.

In Morocco, two surveys found that 88 per cent of households have or are planning a productive activity in the home, and more than 83 per cent of households want to take a loan to finance home improvement; but 93 per cent of households did not have access to formal finance and had to resort to other means.

To help mitigate the housing crisis, public financing urban shelter is important if the world is to secure environmental sustainability, economic prosperity, cultural diversity and social equality. The report calls for provision of increased resources for developing affordable housing and housing related infrastructure, prioritising slum prevention and upgrading, and encouraging support to the United Nations Settlements Foundation and its slum upgrading facility.

The report also emphasises the need for robust and efficient conventional mortgage finance institutions. Mortgage finance is increasingly available in many countries, which was not the case 20 years ago. However, only middle and upper income households have access to such finance, while the poor are generally excluded. The problem in many developing countries, and even in some developed countries, is not that housing is too expensive, but that incomes are too low. Completed houses available through mortgage finance are well beyond the reach of the lower income groups, because they are unable to meet the deposit and income criteria set by conventional mortgage institutions.

Instead, the report describes the innovative, "informal" ways that the poor finance the construction and improvement of their homes. Poor people's access to shelter finance in many cases, depends upon social networks based on religion, family or ethnicity. In this situation, the majority of urban poor households can only afford to build incrementally in stages, as and when financial resources become available. In response to this, micro-finance institutions have started lending for low-income shelter development, and have become very important in recent years. The report also shows that guarantee schemes can, by providing credit enhancement, go a long way in broadening the appeal of micro-finance institutions to lenders. Another important trend in the last decade has been increasing interest in shelter community funds, which are often linked to housing cooperatives as well as rotating savings and credit societies. Community-based financing of housing and services has been used for both settlement upgrading and for building new housing on serviced sites. It has also been used to enhance the access of poor households to housing subsidies by providing bridge financing. In the light of the general success of small loans and the increasing urbanisation of poverty the report concludes that community funds have many advantages for low-income households.

Constraints to mobilising financial resources for investment in shelter development are both financial and non-financial in nature. Non-financial

constraints include land legislation that makes it difficult to use real estate as effective collateral, as well as inappropriate national and local regulatory frameworks governing land use, occupancy and ownership. The role of secure tenure in housing finance is analysed and highlights the need for legal and institutional reform designed to protect the rights of both lenders and borrowers, as well as to enhance access to credit.

Finance is only one dimension of securing sustainable solutions that can fill the gap between the two extreme outcomes of current systems and processes: affordable shelter that is inadequate and, adequate shelter that is unaffordable. [Financing Urban Shelter: Global Report on Human Settlements 2005](#) concludes that policy should focus on both the cost of housing (the supply side) and the level of payment received by workers (the demand side) to address this gap.

#### » Cities Alliance Grant Approvals Update, July - September 2005

##### **Azerbaijan: City and Regional Development Strategies in Azerbaijan**

The grant is to support the establishment of citywide strategies in three cities in three economic regions of Azerbaijan. It will also support the institutionalization of the CDS process into the Asian Development Bank's (ADB) country strategy and programming process. Requested by the State Programme on Poverty Reduction and Economic Development of the Azerbaijani Ministry of Economic Development, the implementation of the activity is expected to result in: increased knowledge of region-based urbanisation issues and related development processes, strategies for poverty reduction, strengthened rural urban linkages and improved regional co-ordination and collaboration, implementation of focused economic strategies and improved infrastructure and urban services provision. ADB is the Cities Alliance sponsor for this activity.

##### **Bhutan: Bhutan National Urban Development Strategy and Thimpu City Development Strategy**

The grant will facilitate efforts by the city of Thimpu to proactively address its rapid growth in a sustainable and environmentally sound manner, improving the quality of life of its citizens and invigorating private sector development. The city will develop a policy framework for urban development, with the potential for replication in other cities in Bhutan; develop a national urban strategy to improve the quality of life of the growing urban population; establish a basis for invigorating private sector development and draw up municipal financing plans. These are expected to lead to a broad consensus among stakeholders on key issues the city faces, a vision for its future development, and actions needed for moving towards the achievement of the vision. The United Nations Environment Programme (UNEP) and the World Bank are the Cities Alliance members sponsoring this activity.

##### **Brazil: Strategies for Sustainable Planning, Financing and Implementation of Low-Income Housing and Urban Development Policy**

The grant will support the Municipal government of São Paulo's objectives to develop sustainable financing strategies to ensure effective and sustainable implementation of the municipal government's poverty focused housing policies, both from the angle of financing the city's actions and financing the housing initiatives of the poor themselves. Requested by the Secretary of Housing and Urban Development of the Municipality of São Paulo, and sponsored by Italy, Brazil's Ministry of Cities, and the World Bank, the activity is expected to increase the number of low income families assisted by the housing policies of the São Paulo government, specifically in slum areas and informal subdivisions, and introduce sustainable financing instruments in the Municipality of São Paulo.

##### **Brazil: Bahia Integrated Urban Development Program – Viver Melhor/IBRD: Technical and Methodological Assistance Project**

The state government of Bahia wishes to build on the success of the Novos Alagoas and the Ribera Azul programmes to access technical and methodological support for the implementation of the Viver Melhor/IBRD Programme, which aims to reduce poverty in a sustainable manner and ensure the replication of the areas-based, integrated and participatory methodology developed in the Ribera Azul programme. Sponsored by the World Bank and the Italian NGO, AVSI, the activity is expected to result in improvements in: i) access to housing, basic services and infrastructure for households living in the areas of physical intervention of the three project areas; ii) access to social services, to employment and income generation opportunities for households in the same three project areas; and, iii) to improvements in the state government's institutional capacity to define and implement common strategies of poverty reduction, measured by specific state government sector policy, and the participatory preparation and implementation of Integrated Local Development Plans.

##### **China: Urban Upgrading Strategy, Yangzhou**

The grant will facilitate the implementation of the Yangzhou Urban Upgrading Strategy, which aims to identify the most suitable means of upgrading existing settlement structures in Yangzhou municipality, in line with the municipality's cultural heritage and the needs of the mostly low income residents. Requested by the municipal government of Yangzhou and sponsored by GTZ, ADB and UNEP, the activity is expected to lead to a process-oriented modernisation of older city areas, especially traditional settlement structures, and to strengthen residents' abilities to improve their living and housing conditions with their own resources.

##### **China: Economic Revitalization by Cities in Heilongjiang Province**

The northeastern region of China, including Heilongjiang, Jilin and Liaoning provinces served as the major industrial base of the country up to the mid-1970s. The region's economic growth has stagnated since then, compared with the eastern and southern parts of the country. The grant approval is therefore, to assist public authorities to use the CDS process to formulate turnaround strategies for the region and for the cities. Requested by the Financial and Economic Leading Group Office of the Heilongjiang Province, and sponsored by ADB, Italy, UNEP and the World Bank, the activity is expected to result in: an industrial restructuring policy document; CDS action plans by the cities; the creation of a regional economic corridor of Harbin, Daqing and Qiqihar; in addition to the development and implementation of investment programmes and financial instruments.

##### **Guatemala: Program for Slum Upgrading Through Financing from the Private Banking Sector - Phase 1 - Project Preparation**

This will support the first phase of the government of Guatemala's long-term plans to launch a national slum upgrading programme based on private sector investments. It aims to achieve this by identifying appropriate financial guarantee mechanisms to stimulate private sector investments, and to define a Technical Assistance programme to build the capacity of NGOs and MFIs to assist unserved communities in the design and implementation of bankable upgrading projects. The Vice-Minister of Housing, Ministry of Communications, Infrastructure and Housing submitted the proposal, and was sponsored by FDLG – the SIDA affiliate in Guatemala - USAID and the World Bank. Implementation of the grant activity is expected to result in increased capacity to design and implement community upgrading projects, which would also lead to increases in the rates of public service provision to keep up or even surpass the urban growth rate; and, in a technical assistance plan for a national slum upgrading programme to be prepared for subsequent adoption by the Guatemalan government and municipalities.

##### **India: City development strategy for Hubli-Dharwad**

The grant will support Hubli-Dharwad Metropolitan Corporation as it undertakes a CDS through a sustainable, multi-stakeholder, consultation process

to will generate an agreed vision for growth and economic development of the city region and an Action Plan for implementation of the CDS. It is expected that during the CDS process, the creative dialogue established between government departments, between Government departments and citizens, between citizens and other citizen groups will identify immediate and long term activities that will be undertaken to improve service provision and management. To be implemented by the Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC) and the City Managers' Association the grant is sponsored by the ADB, the World Bank, USAID, with support from the International City/County Management Association (ICMA).

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#### **Mongolia: Citywide Pro-poor 'Ger Upgrading Strategy and Investment Plan' (GUSIP)**

This will assist the Municipality of Ulaanbaatar (MUB) to develop a better co-ordinated and more clearly defined citywide pro-poor *Ger*-area upgrading strategy and investment plan. The strategy will also contribute directly to the implementation of Ulaanbaatar's "Vision 2020", developed with support from the Cities Alliance. Requested by the Municipality of Ulaanbaatar, in collaboration with the Ministry of Construction and Urban Development, and the Mongolian Association of Urban Centres the activity will result in: a comprehensive overview of the challenge of *Ger*-area upgrading in MUB prepared with priorities defined and shared with urban poor; a consensus reached on future development and growth of the city; investment priorities and development processes defined; financial resources and mechanisms for upgrading identified and put in place; MUB able to implement upgrading and regularisation programmes; communities able to organise for collective action; Mongolian Association of Urban Centres' information base increased. Cities Alliance sponsors of the activity are ADB, France, Netherlands, Japan, UN-Habitat, and the World Bank.

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#### **Philippines: City Development Strategies in the Philippines: An Enabling Platform for Good Governance and Improving Service Delivery**

Over the last three years, 41 out of 117 Philippine cities have elaborated city development Strategies. To focus on broadening financing options of local governments, this grant will support the efforts of the League of Cities of the Philippines (LCP) to actively pursue the institutionalisation of the CDS process across all cities in the country. This is closely linked to a World Bank-financed City Development Investment Project. Requested by the President, League of Cities of the Philippines, the activity is expected to lead to enhanced CDS methodology, with cities applying a set of benchmarks, allowing a ranking of at least 30 CDS cities; development of a clear financial framework for cities and enhancement of the Capital Investment Plans of at least 10 cities; and, to the establishment of a business operating unit within LCP with the operational capacity of the League of Cities strengthened. Cities Alliance sponsors of the activity are ADB, JICA, UN-HABITAT and the World Bank.

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#### **Russia: Chuvash Republic Regional Development Strategy - Financial Assessments and Investment Review**

The grant will support the Chuvash Republic Government's efforts to develop a regional/city development strategy, leading to an investment and financing plan, definition of responsibilities for infrastructure service provision, and access to market-based finance. Activities are organised in four modules: design of a Regional Financial Simulation Model to analyse and forecast the regional budget and debt-bearing capacity; elaborate a Region/City Development Strategy and Investment Plan; prioritise and sequence capital expenditures for regional priority projects and a detailed feasibility study and environmental plan for these projects; and, link investment needs with funding sources. Expected outcomes include: increased service coverage to the region's low-income population through financial investment in the prioritised regional/city infrastructure projects such as water and wastewater treatment; and, improved infrastructure service provision and efficiency of resource use which will contribute to the region's economic development. The World Bank and USAID are sponsoring the activity.

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#### **Russia: Stavropol Regional Development Strategy - Financial Assessment and Investment Review**

The aims, objectives, activities, sponsors and expected outcomes of this grant to the Ministry of Economic Development and Trade of Stavropol Krai mirror those of the above-mentioned Chuvash republic.

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#### **South Africa: Support for the Preparation of 2006 "State of South African Cities Report"**

This will support the South African Cities Network (SACN) production of the second *State of the Cities Report (2006)*, and the research and broad dissemination of issues related to the Report in the areas of city management, financial sustainability, governance, and economic growth and competitiveness. The aim is to enhance the ability of SACN members to efficiently use their resources to build sustainable cities. Expected impacts include: city specific and targeted planning by national sector departments (e.g. housing, water); building consensus of the role of cities in the national development agenda; improved energy efficiency and inclusive housing delivery; and, generation of practical guides and tools for enhanced city governance and competitiveness. The World Bank, USAID, Department of Provincial & Local Government, SALGA, DANIDA, SIDA are supporting this activity.

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#### **Global:**

##### **Developing MDG-based CDSs**

This will facilitate UCLG members' engagement and contribution to national Poverty Reduction Strategies (PRSs), by developing CDSs which address MDGs at the local level. UCLG members will be able to access Cities Alliance support to develop MDG-based CDSs and share city experience related to planning for CDSs, integrating MDG-based targets into CDSs. The activity will be implemented through a process of programme development and launch; regional association meetings; regional capacity building workshops; review and submission of CDS funding proposals; annual review of progress; and, dissemination of best practices. Expected outcomes include: production of learning materials; implementation of two workshops hosted by the regional associations of UCLG; creation of a support mechanism to assist cities to prepare proposals to access resources; preparation of four to six case studies that will demonstrate MDG-related targets; and, elaboration of CDSs from cities. UCLG and DFID are the two Cities Alliance members sponsoring this activity.

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##### **UCLG Municipal Finance Commission**

UCLG plans to ensure that the financing needs and demands of local government are effectively linked to the suppliers of municipal finance technical support and financing institutions, including the numerous official development assistance instruments established for this purpose. The UCLG Municipal Finance Commission will act as an Advisory Body to UCLG members, the Cities Alliance and its recently formed Municipal Finance Task Force on matters relating to municipal finance and resource mobilisation. It will also assist UCLG members' access to current thinking and innovations on ways to increase the flow of long term finance capital to developing cities in support of their city development strategies and city wide slum upgrading. Expected impacts include: contributing to the analysis of strategies and frameworks to mobilise long term capital; contributing to discussions with financial institutions on developing access to funding - domestic and international; and, providing advice and act as a sounding board to the MFTF to strengthen the linkages between city finance needs and demands and financing options.

Guidelines for proposals and eligibility requirements for funding support are available from the [Working with Cities Alliance Guide](#), accessible from the Cities Alliance website.

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