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Remarks by John Roome (East Asia Director for Sustainable Development at the World Bank)

Items in *[italics]* were not delivered.

Your excellencies, Distinguished Officials and Guests, Ladies and Gentlemen.

Good Morning. Nin Hao.

World-wide the **rapid pace of urbanization is one of the most important challenges** and opportunities we face. For the first time in history, more than half of the world's population lives in urban areas. **Two billion new urban residents are expected in the next twenty years.** And 90% of this growth is expected to be in developing countries. *[China's urban population is expected to increase by another 325 million by 2025, and that's on top of the 375 million extra urban dwellers since 1980. Urban populations in Africa and South Asia will double in the next 20 years].* Urbanization is accelerating. Processes that took a century in the more advanced urbanized countries, will take just a decade in some countries in future. *[Furthermore, 53% of the world's population lives in cities of 500,000 or less – and more than half of the urban population growth is expected to take place in secondary cities].*

Not surprisingly *[these issues are gaining more and more public attention – and]* there is a growing demand to address these issues in a new and more aggressive way. Earlier this week in Singapore the President Zoellick launched the new **World Bank Urban and Local Government Strategy - which aims to step up meet this challenge.** Mr Zoellick asked me to represent him here today at this very important gathering because he wanted our first public discussion of the strategy to be with this group. We would like to that our partners UCLG for this invitation. Reflecting this partnership – I wish we had produced the excellent video we just saw.

Urbanization and urban development will need to respond to **three broad objectives:** Growth, Delivery of services (especially to the poor) and Environmental Sustainability.

Growth

As we have seen for example *[from Japan, Korea and more recently]* right here in the Pearl River Delta, *[and as articulated in the World Bank's recent World Development Report on Economic Geography and in the recent Growth Commission Report]* the increased density that comes from urbanization has the potential to be a major driver of **economic growth and poverty reduction.** *[50% of China's GDP is now in the coastal zones that cover 20% of its territory].* On a global scale 70% of GDP is now generated in urban areas. A significant amount of the poverty reduction that we have seen in countries from Brazil to Vietnam has been shown to be driven by urbanization. No country has attained middle income status without significantly urbanizing.

We at the Bank have come to recognize that if poverty is to be reduced, then urbanization is something to **be managed, not fought.** But we know that not everyone is yet convinced.

To deliver on its promise, urbanization needs to be sustainably managed.

[To be engines of growth], cities need to provide a supportive **investment climate for firms.** But this **doesn't happen automatically.** This requires investing in infrastructure, reducing red tape, and providing appropriate incentives. There are some successes, including here in Guangdong. But not all countries have been able to do so. *[Power failures in Tanzania have been shown to lead to a loss equivalent to 10% of manufacturing sales, while]* in Latin America missing infrastructure is estimated to have reduced economic output by 10-15%.

And it's not only what happens within a city's borders that matters. **The linkages between cities and to transport hubs are also very important.** In India 60% of private manufacturing investment from 2000 to 2006

took place in the 20 cities with best market access. Here in the Pearl River Delta there are some exciting examples of increasing coordinated connectivity between cities.

The Bank will support activities that help generate urban growth both through lending and analytic work – including scaling up city level competitiveness assessments and advice. *[In India we found for example that there were significant differences in the ease of doing business from city to city – and that there are significant gains to be had by simply matching the best Indian city practices on different dimensions such as the ease of registering a company.]*

[But the world doesn't stand still.] As incomes rise, *[we now know that]* **cities and provinces need to continuously innovate and adapt** *[the services they provide]* to allow their **industrial and economic structure to evolve** so that they can remain competitive. *[Usually this involves a process of shifting the balance from agriculture to manufacturing, to higher end technology based manufacturing and knowledge services although we know this is not a simple a linear process].* What impressed me on my recent visit to Foshan is that they are **already thinking ahead** – and positioning itself well to address these issues, through their planning and development of hi-technology and knowledge parks.

It is clear that in many countries it is the partnership between national and local governments that will lead to recovery from the current financial crisis. If cities don't grow, countries can't recover. Furthermore the financial crisis has taught us the importance of multiple poles of growth. Cities, including secondary cities, are those poles of growth.

Delivery of services – especially to the poor

[Although urbanization is generally correlated with a reduction in poverty, there are still many poor people in urban areas, and] in almost all regions of the world, the absolute number of poor people in urban areas is increasing. In Africa and South Asia 70% of all urban residents are poor. Many of these are recent migrants from rural areas.

Unfortunately many cities have been unable to keep up with this influx. While China has largely avoided the worst excesses of this problem, in many large developing cities **slums are more the rule than the exception**. The Bank's new strategy includes a strong focus in targeted support for the poor – including helping to address the very tough question of slum upgrading. *[In terms of avoiding the problem in future, Singapore's approach to housing is a good example].* We will also focus on **strengthening the delivery of other urban services** such as water and sanitation services that are key to both growth and health. *[1.7 million people still die each year from unsafe water and sanitation – many of these in urban areas. The Bank will continue to work with local governments and utilities to address these issues.]*

[It will also be important to ensure that those left behind in the rural areas also benefit from increases in growth. I know that this is an issue of great concern to the Chinese authorities. In part, the solution lies in strengthening the linkages between rural and urban areas. We are working closely with, and learning from partners in Chongqing and other cities in China to try to address this issue.]

There is a great opportunity to direct financial crisis stimulus packages to the needs of the urban poor, while also creating jobs.

Environmental Sustainability and Climate Change

Unfortunately, rapid urban growth has often been accompanied by significant collateral **environmental damage** – including serious water and air pollution. This reduces the **quality of urban life** – but over time can also become a **binding constraint to further growth** *[as water of adequate quality grows scarce and polluted cities become unattractive to higher technology industries and knowledge workers].* Most cities now recognize the **effects of such damage**, and have started to take steps to address these issues. But it will take time.

The **clean-up of urban rivers, canals and waterways** is one key issue, around the world, *[that many countries are starting to address]*. This week I saw the hard and innovative work we are supporting on the Feijiang River in Foshan. In Manila, they are now looking at how to clean up the Pasig River and Manila Bay – triggered by an environmentally motivated court order and a realization that they have to do something to mitigate the impact of typhoons such as the one they have just had. In Jakarta and Hanoi they also face regular flooding – in part due to the lack of maintenance and increased pollution in key waterways. *[There are differences from city to city, but also common lessons to be learned.]*

*[Successful urban waterway clean up and redevelopment can have **an impact far beyond the riverfront** itself and can help start to address wider issues including improving land values in surrounding areas. But maybe more importantly it help create a “**can do**” sense of achievement in the city. These sorts of high profile projects can contribute to launching the development of cities to a higher level].* In the city where I grew up (**Cape Town**), and the closest city to where I live (**Baltimore**) the cleanup and redevelopment of the old port areas have helped revitalize the cities more generally.

Climate change makes addressing these environmental issues even more important. 70% of the world’s greenhouse gasses are attributable to urban areas. Urbanization, if properly managed, can help address the climate change through the design of **denser, more compact, energy-efficient cities**. *[There are things that can be done on Urban Transport; building energy efficiency and district heating; and urban planning that can significantly reduce the carbon footprint of a city. Curitiba provides one excellent example in this regard. We are also working to support colleagues here in Guangzhou and other Chinese cities in this regard].* We have recently launched the new ECO2 program – which aims to help cities achieve greater economic and environmental sustainability, building on successful lessons from all over the world – from Seattle to Stockholm to Singapore. At the same time, **many cities will need to adapt** to the impacts of climate change. Many coastal cities will be hit with increased flooding and natural disasters – while others will have to deal with even greater water stress and influx of people from rural areas. *[There was a recent UN report that highlighted the threats to coastal cities in particular – and] the Bank has recently produced a handbook on how to make cities more climate resilient.*

Significant opportunities exist to focus stimulus money on green investments.

Integrated Thinking and Strategic action

Addressing these issues will require an **integrated and strategic approach led by local authorities** *[Ho Chi Minh City and the Mekong delta is one place where the integrated management of cities, urbanization, urban-rural linkages, climate change and water resources offers huge great hope.]*

If we think of water treatment, urban transport and land use planning as **independent interventions we will miss significant opportunities**. *[For example, the question of whether or not to use a light rail system to move people from outside a city downtown should not just be a transport question. How this is handled can have a profound impact on land use, and land values along such a line and could open up new areas of urban development – often combining both commercial development and slum upgrading. Light rail developed in this context could also lead to significant emissions reductions].*

They need to be integrated, and this will require **integrated strategic planning, led at the local level**. And improved land use planning, zoning and floor area ratios are key supportive cross cutting initiatives. Some jurisdictions in Brazil and Mexico, as well as Singapore, have good models from which we can all learn. Put very simply, good city management is at the heart of successful cities.

At the same time, as highlighted as well by the financial crisis, we need to support the development of financial markets and regulations – including *[robust PPP regulations and] longer term capital market developments*. We also need to focus on revenue generation opportunities at the local level and a system of stable, predictable fiscal transfers from central governments. *[There are good examples of the latter from South Africa and Uganda].*

[The Bank can help through the use of City Development Strategies, its new “Urban Planning Audit” and “Urbanization Review” – and good old fashioned “rolling up our sleeves” and working in partnership with specific local authorities, some of whom are here today.]

Local needs and institutional differences.

There are **very significant differences between countries**. *[It would be naïve to think that the importance and nature of urban issues are the same in each country].* Much of the urban debate has historically been centered in the already well urbanized upper and middle income countries. But there are some smaller, lower income countries – many in Africa but even some in East Asia – where the urban share of population is still just 20-30%. It is easy to see why urban issues may be of relatively lower importance in such countries. But our message is clear – ignoring urbanization in such countries is a big mistake. Now is the time to get out ahead of the issue – to make it an opportunity before it becomes a big problem later.

Even in heavily urban environments the priority issues are very different – and our support will be adapted accordingly *[- based on the leadership of our local partners].* The support we may provide in Lagos and Port Harcourt will look very different from the support we provide in Jakarta and Surabaya. *[Similarly Mumbai faces very different challenges than Chongqing.]*

Successful urbanization will require the collaboration of a local group of stake-holders – from the citizens to the city administration to the business sector. *[In some cases independent local utilities are involved. In some cases the utilities are national].* In many environments the central authorities are critical players – providing the enabling policy environment or in some cases direct financing. *And the financial sector will be needed as well.* In short, this agenda needs to be led by local governments, but cannot be delivered by them alone.

Each country has its **own political and institutional arrangements** that make it harder or easier to address these urban issues. Clearly any urban strategy needs to take these differences into account *–[and we need to be very careful about simply copying what other countries do].* Where institutions are fully supportive this is great. But in some cases significant reform will be needed. *[To take one example, in both Africa and Asia, I can think of some important metropolitan areas where there are excellent sub-city level administrations, but no coherent metropolitan governance. These institutional issues may be among the toughest but most important to resolve].*

Moving forward

What does it take to move forward on this new integrated sustainable urban agenda? Local leadership and finance are very important – but let me rather focus on **shared knowledge**.

Knowing what to do, and how to do it, is key to success. But unfortunately there are **no magic text books**. Over time some **good operating principles have emerged** from the hard lessons of implementation experience – what works and what doesn't work in practice. But there is no one city – *[at least not that I know]* – that provides the full blueprint that everyone can follow. (Although after seeing this morning's presentations Guangzhou must come close). None-the-less there is no monopoly on knowledge. Lessons will need to be drawn from all over the world – from rich and not-so-rich alike. This is especially true in the area of climate change. We all need to be able to learn from systematically from the Urban Transport and planning experiences of Curitiba, the water management practices of Singapore, the congestion pricing of London, and the intergovernmental fiscal transfer schemes in South Africa and Uganda.

We believe that **networks of city practitioners (such as that embodied in UCLG)**, have an important role play in sharing knowledge and experiences on emerging issues in urban development and local governments. The World Bank recognizes the importance of working more closely with local governments.

The Bank will support such **networks of practitioners** to help them to systematically facilitate the sharing their experiences from both developing and developed countries. There is lots of good sharing that already takes place. They key is make this more systematic – and cheaper and faster. The Bank will **deepen our relationship with**

UCLG to help try to make these **practitioner networks more effective**. *[In addition we have also recently created a joint “Urban Hub” with Singapore (and similar ones in Amman and Marseilles) – and are working with the University of Southern California and the Pacific Rim Council on Urban Development in Asia].* We are also working closely with **Cities Alliance**, which is an excellent vehicle for advancing this agenda.

The World Bank’s role

What strikes me from this morning’s comments by other speakers, and from the videos shown by UCLG and Guangzhou is **the common themes and messages** about the importance of urban development, the need to scale up our efforts, and the need to approach urbanization differently from the way we have done so in the past. We are agreed on the direction – the challenge is implementation – and you, the people in this hall, are the ones who can implement this new vision.

The World Bank can and will **scale up our support to these wider urban issues worldwide**. The new Urban Strategy lays the foundation for this. The key challenge for us is how to be most helpful in getting impact at scale. With even a large increase in lending, our financial contributions will always be a drop in the ocean compared to the financial needs in urban areas. A key part of our role therefore be to will be use our lending and analytical work to help countries and cities to leverage their own funds, and private sector funds – so that they can be used as effectively as possible. We are happy to help with the bigger strategic issues – where that is needed – but also on very specific issues as requested. We can be good partners, but **leadership will always rest with you and your colleagues at home**.

We greatly appreciate the opportunity to speak here today, talking with the mayors who are managing these challenges on a daily basis. Thank you all very much. Xie xie.