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Making Cities Work: USAID's Urban Strategy

An Initiative Launched by the Administrator and Prepared by the Urbanization Task Force

September 1998

U.S. Agency for International Development

USAID

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PREFACE

Rapid urbanization is becoming an increasingly important development issue. Thirty years ago, 80 percent of the population in developing countries lived in rural areas. Times have changed. In a few years, more than one-half of the world's population will live in cities. In 30 years, the world's urban population will double, from 2.5 to 5 billion people, and 70 percent of these individuals will live in the cities of the developing world.

While urban places serve as engines for economic development and centers for jobs and services, the cities of the developing world are struggling to keep pace with rapid growth. As they expand, there is danger that unmanaged urban growth will lead to economic, social, and environmental crises. This is a matter of concern to developing and developed countries alike.

Economies in crisis mean less opportunity for trade and investment. Social disorder can lead to human loss and despair as well as economic setbacks, increased security risks, and high intervention costs. Environmental problems, as we all know, are not local. They affect us all.

In contrast, cities that work make very effective use of development resources. They are very efficient at generating jobs, providing shelter and services, and engaging stakeholders.

Because of the increasing importance of urbanization in the developing world, I established an intra-agency task force to examine the matter and recommend an appropriate response for the Agency. The outcome is this document, *Making Cities Work: USAID's Urban Strategy*.

The "Making Cities Work" strategy will increase Agency-wide awareness about urban issues and appropriate approaches and pro-grams to address them. Urban awareness will strengthen our developmental programming and promote synergy among the diverse activities the Agency is pursuing.

I am confident this strategy will help build communities where economic opportunity and good governance are commonplace, where population is in better balance with the city's resource base, where human health is improving, where stakeholder participation in decision making is actively encouraged, and where the risk of man-made and natural disasters is lessened.

I am looking forward to working with you toward the successful implementation of this critically important strategy.
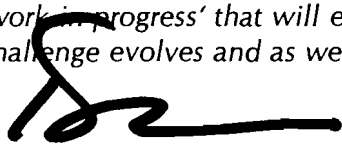
J. Brian Atwood
Administrator
U.S. Agency for International Development

"When my son Daniel was born, there were as many people living in cities as there were people in the world when my father was born. If Daniel has a child when he is forty, there will be as many people living in cities as there were people in the world when I was born.

Sometime before the end of the century, a child will be born in a city, most likely in a developing country, and the demographic face of the Earth will be changed forever: at that moment, for the first time in human history, one-half of the people on this planet will live in cities. We are just beginning to understand that this watershed event in human history is about to happen. Under-standing its implications is an even greater challenge.

In our cities, our values are born; here we decide what is important to us, and thus shape our future. Cities will reflect our vision or lack of it. They form and are formed by our patterns of living in ways that are slow to change. The choices we make in and about our cities will be with us for a long while.

It is important that we be aware of the con-sequences of our choices, that we choose carefully. That's what 'Making Cities Work' is all about. We recommend it to you as a 'work in progress' that will evolve as the challenge evolves and as we learn."

David F. Hales
Deputy Assistant Administrator
USAID Global Environment Center

INTRODUCTION

Well-functioning cities support economic and social growth, while dysfunctional cities impede environmentally sound and sustainable development. As the world becomes more than 50 percent urbanized in the 21st century, U.S. development assistance programs will be more successful and synergistic if they are conceived with an urban perspective. This paper presents a "Making Cities Work" strategy for the U.S. Agency for International Development (USAID) to (a) internalize an urban perspective within its broader development activities; (b) increase opportunities for cities to enhance development efforts and mitigate environmental threats, such as climate change; and (c) help enable cities to:

■ offer safe and healthy places to live, within a sustainable environment;

■ provide basic infrastructure and housing that serve all their inhabitants;

■ feature robust economies, with ample opportunities for employment; and

■ promote participatory democracy, with high levels of citizen satisfaction with local institutions.

The "Making Cities Work" strategy — prepared by the Urbanization Task Force at the request of the Administrator — builds on the lessons learned from ongoing urban and urban-related programs and from considerable Agency successes in dealing with urbanization. *The strategy is based on existing Agency and country-level Mission objectives and neither changes them nor adds to them.* It relies primarily on strategic and analytical emphases and a retuning of Agency resources to lend an urban perspective.

The thrust of the effort is to work with receptive USAID Missions to critically evaluate the role of urban areas in a country's development process and, where appropriate, jointly target specific cities and/or urbanizing regions. While additional dollar and human resources will probably be needed at some point to accomplish all the recommendations, much can be done by refocusing current resources through an "urban lens."

To implement the strategy, four core sets of recommendations have been adopted:

■ build alliances with outside organizations;

■ increase USAID's awareness of urbanization strategies and programs;

■ develop USAID's internal capacity to address the urban agenda in the next century; and

■ devise the right balance of credit and grant financing mechanisms to address the urban development needs of client countries.
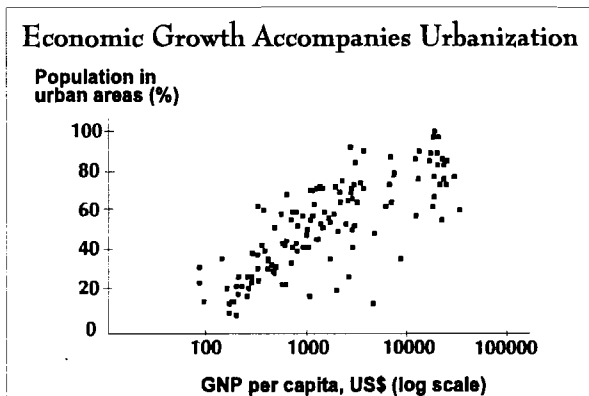

"Urban" Defined

Defining "urban" is difficult but vital. The Agency's 1984 Urban Policy Paper called "urban" any separately administered population agglomeration in which at least two-thirds of the households derive their main income from economic activities other than farming. Some types of urban places are easily recognized: mega-cities with their populations in the multi-millions; medium-sized regional cities that serve the rural hinterland; or single-function cities that serve as centers of transportation, finance, industry, or technology.

1 CITIES IN DEVELOPING AND TRANSITIONAL COUNTRIES NEED USAID ASSISTANCE

Cities and their rural hinterlands have long been partners because cities add value to natural resources and rural production. Cities function as marketing and distribution points, centers of service and industry, and gateways for trade. As cities become more robust economically, they help extend roads, power, telecommunications, and other services into rural places. As shown below, worldwide, growth in gross domestic product (GDP) is strongly correlated with urbanization. Today's

Economic Growth Accompanies Urbanization

Population in
urban areas (%)

GNP per capita, US$ (log scale)

Source: World Bank

global network of cities represents a huge market for rural outputs, and cities serve as engines for national economic and social growth. In Thailand, for example, Bangkok accounts for about one-sixth of the Thai population, but it generates more than one-half of the country's GDP. Urbanization also generally results in more educational opportunities, increased life expectancy, lower infant mortality, improvements in the status of women, an increase in family planning, and a decline in birth rates.

Well-functioning cities support economic and social growth; dysfunctional cities impede development and suffer from unnecessarily rampant environmental mismanagement, disease, inequities, and crime. They may also disproportionately contribute to environmental hazards and climate change. In the developing world, vast numbers of urban dwellers in poorly functioning cities live in squalor and absolute poverty. The United Nations Centre for Human Settlements (UNCHS) has concluded that, in 1990, ". . . at least 600 million people in urban areas of Latin America, Asia and Africa were living in

*Substandard housing poses health risks in Bangkok.*

housing of such poor quality and with such inadequate provision for water, sanitation and drainage, that their lives and health were under continuous threat." In 1996, according to other UNCHS estimates, 280 million people lacked potable water worldwide and 588 million people lacked basic sanitation. In addition, globally, less than 70 percent of

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solid waste was being collected and only 50 percent of households were being served. On a regional basis:

- two-thirds of the urban population in Africa lack access to potable water and 40 percent lack access to sanitary facilities;

- one-third of Asian city dwellers lack access to a piped water supply and two-thirds lack access to sewer systems; and

- in Latin America and the Caribbean, one-fifth of urban households lack access to clean water and 40 percent lack access to sewer systems.

Pollution is costly, too. Ten percent of the annual income of the cities of Jakarta, Manila, and Bangkok are lost to pollution.

In the new millennium, as shown below, the challenge of providing urban infrastructure will heighten as the world becomes more decidedly urban.

Population Growth in Developing Countries, 1960-2020
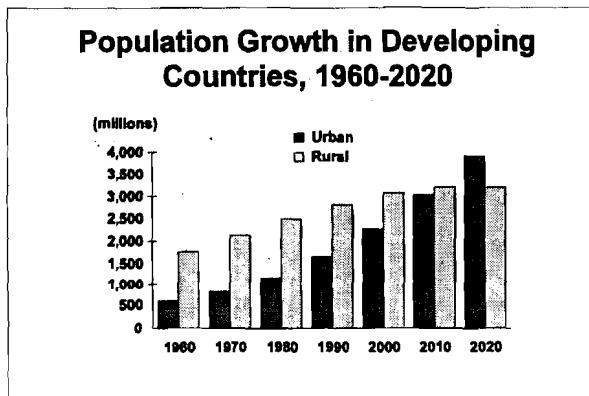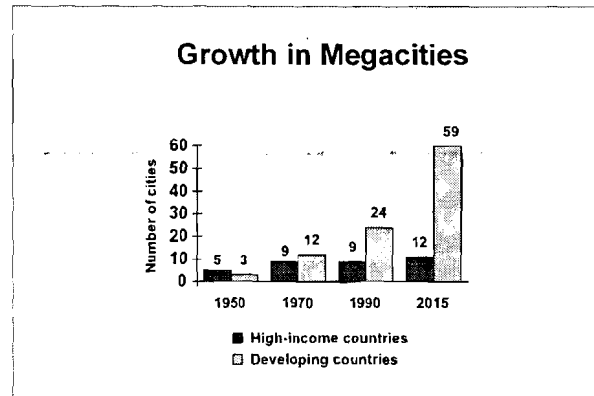

Source: World Bank

Between 1990 and 2015, the population of the cities with more than a million residents is expected to increase dramatically.

- In Latin America, it will double — from 118 to 225 million.

- In Asia, it will nearly triple — from 359 to 903 million.

- In Africa, it will quadruple — from 59 to 225 million.

At the end of this decade, 17 of the world's 21 mega-cities with more than 10 million people will be found in developing countries.

Growth in Megacities

Source: World Bank

Between 1995 and 2025, an additional 2.5 billion people will be accommodated in the world's cities. This will be equivalent to creating 40 cities of 2.1 million every year for the next 30 years. By that time, 5 billion out of a total world population of 8 billion people will live in urban places, mainly in the developing countries. Even at the very modest cost of $10,000 per dwelling unit (for land, housing, and infrastructure) and a family unit of five persons, $5 trillion would be required to house this new population.

Concerned about rapid urbanization, some governments have adopted policies to restrict the flow of migrants into their cities. However, policies to reverse or slow urbanization, such as China's decision to relocate 20 million urban residents to the country between 1961 and 1978, have not met with success. Chinese cities have continued to grow. In countries where the Green Revolution has been most successful, the flood of urbanization has actually accelerated. When rural areas reach their carrying capacities, out migration is desirable, and cities are logical destinations. The forceful tide of urbanization is, in fact, inevitable.

Not only can governments in developing countries do little to reverse urbanization,

they usually can do little to fund the urban infrastructure required to house this new population. Only the private sector can mobilize resources on the scale required. The World Bank, for example, has committed only $15 billion to urban programs over a five-year period. It is, thus, critical that all donor resources be used strategically to help leverage private investment. To mitigate investment risk, an enabling framework of policies, regulations, incentives and safeguards, institutions, finance, insurance, and transparency is needed.

While donor funding for development has decreased over the past several years, external private sector flows to developing countries have increased dramatically. However, they have gravitated principally to only 12 countries in Asia and Latin America (e.g., China, Malaysia, Indonesia, Mexico, Thailand, Hungary, Brazil, Argentina, Chile, and India received US$17 billion in investment in 1995). Much development work must be done if external and domestic private investment is to be mobilized on a scale grand enough to meet the emerging requirements of cities in the developing world.

USAID has long assumed a prominent and proactive role in helping developing and transitional countries make their cities work. The United States, after all, cannot distance itself from world urbanization as if it were a problem of these countries alone. The repercussions of dysfunctional cities in the developing world affect Americans, too. Clearly, if key U.S. interests include the protection and promotion of the health, environment, prosperity, security, and freedom of its citizens, then it is in the interest of the United States to help other countries more effectively, and more productively, manage this unprecedented growth.

- **Many new U.S. jobs are export driven.** America's future business success is closely linked to economic growth and increased purchasing power in the cities of transitional and developing countries. USAID-sponsored programs to introduce market-based reforms, clean technology, and infrastructure help make this happen.

- **Disease overseas can threaten Americans both at home and abroad.** USAID has long been an advocate of preventive measures to maintain public health, measures that can be very efficiently and cost-effectively executed in cities.

- **The United States is not immune from hazardous and unhealthy environmental conditions beyond its borders.** USAID interventions in the cities of the developing world help mitigate negative impacts within the United States itself.

- **Unbearable conditions in the cities of the developing world can result in social strife and unrest.** If this occurs, the United States may necessarily become involved. USAID urban programs help deter such developments or provide relief when appropriate.

In testimony before Congress, the USAID Administrator has said that sustainable development is not possible without cities that work. There are few programmatic areas considered central to USAID's Mission that are not affected by urbanization. At the executive level, Vice President Gore co-chairs four Binational Commissions with South Africa, Egypt, Russia, and Ukraine, with considerable USAID participation. Each Commission program has a substantial urban component — testament to the importance of urbanization to these countries and the United States.

2 USAID's Know-How for Making Cities Work

Over the past 30 years, USAID has been the United States's primary agent in dealing with urbanization in developing and transitional countries. Its efforts have been very influential and successful. The value of USAID's urban programs was confirmed by the deliberation of the Habitat II Conference in Istanbul in 1996, the last of this century's great world conferences on important development issues. Several USAID programs were cited as best practices. Following are several of the most important lessons USAID has learned about making cities work.

■ **Get the policies right.** Having the right urban policies, as well as their supporting legal and enabling frameworks, is essential to making cities work. Good policies define the respective roles of government and the private sector in shelter and urban development. They promote private enterprise, private property rights, and well-functioning markets, including sustainable financing systems. They suggest flexible, affordable, yet environmentally sound building, infrastructure, and development standards.

■ **Get the roles right.** National government's principal job is to promote general welfare, set forth policy, and be an enabler and regulator rather than provider. **Local government** should serve its constituencies by promoting economic development, sound urban/environmental management, and the provision of reliable urban services. **Communities** know their own needs best; they should participate in planning and decisions that affect them and their ability to pay. The **private sector** is best suited for such roles as employer, developer, builder, investor,

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USAID Spearheads Effort to Access Private Infrastructure Finance

In Indonesia, India, and South Africa, USAID has helped local governments gain access to private financing for urban infrastructure. At the local level, step-by-step models for entering into public-private partnerships in urban projects are being developed. Training modules have also been developed to help local leaders assess the financial viability of projects and manage project risk. In Pontianak, Indonesia, for example, USAID has supported the privatization of a bulk water supply system, a ground-breaking initiative that is expected to mobilize $60 million in private investment.

USAID Helps Indian City Galvanize the Community to Improve Solid Waste Collection

In Madras, India, the population exploded from 4.3 million persons in 1981 to over 6.5 million today. Garbage piled up as municipal solid waste collection could not keep pace with the demand. USAID helped Madras galvanize the community to improve garbage collection.

An NGO helped citizens organize themselves street by street. Residents now hand garbage over to workers employed by Civic Exnora. These "street beautifiers" sort the waste and transport it to municipal transfer containers. From there, the trash proceeds to collection areas and ultimately to landfills or recycling plants. Civic Exnora has raised public awareness and hygiene and is now responsible for 20 percent of the primary collection of garbage in Madras.

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and, at times, operator. In some cases, a hybrid or public-private partnership is the most suitable path to follow.

■ **Financing is key.** As the developing world urbanizes, more capital is required for economic development, shelter, and infrastructure. Improving the access of municipalities, urban enterprises, and households to capital markets, including domestic capital, is essential. For this to occur, an enabling policy, fiscal, and regulatory framework for credit and private investment should be fostered along with improved creditworthiness.

- **Promote environmentally sustainable economic growth.** While promoting economic development, cities must play an active role in managing growth, promoting clean technology, preventing pollution, reducing greenhouse gas emissions, and protecting public health. In doing so, cities must seek an appropriate balance between market-based incentives and regulations.

- **Enhance rural-urban linkages.** Urban and rural areas are co-dependent. Cities and small towns function as centers for industrial production, service centers, marketing and distribution points, and gateways for trade. As cities create jobs and produce an increasing share of GDP, they help extend economic networks and infrastructure into rural places. Urban and rural environmental management are also inextricably linked. One cannot be improved without the other.

- **Create incentives for clean industry.** Urbanization, industrialization, and economic growth are closely correlated. Unfortunately, without clean technology, rapid industrial growth often leads to more pollution and related environmental problems. End-of-pipe pollution controls have proven to be less than satisfactory, as have efforts to legislate and regulate pollution prevention — unless appropriate incentives exist for industry to adopt clean production and energy-efficient technologies. In Latin America and the Caribbean, for example, USAID is successfully introducing industrial ecology with market-based incentives and clean technology for pollution control, prevention, recycling, and energy efficiency.

- **Build development partnerships.** Because the needs are great, partnerships between donors and public and private organizations are essential to yield maximum results. USAID has partnered with a broad range of types of organizations to effect change.

Ecuador: USAID loans and technical assistance in legislative and procedural reform enabled the Quito Water Authority to get on a sound financial footing. Operating costs were reduced by 25 percent, 35,000 new water connections were provided, and the level of service was improved by 60 percent in low-income communities. Altogether, 180,000 people benefited from these improvements. Prior to USAID assistance, the City of Machala had 40-50 tons of uncollected garbage per day and serious cholera epidemic. An Urban Environmental Quality Management Strategy and action plan were developed that are leading to significant improvements in solid waste collection and disposal.

- **Show real improvement in people's lives.** The ultimate beneficiaries of USAID's urban programs are the urban poor. The development of sound national and local policies, and systems that benefit the general welfare, should be accompanied by tangible improvements in the lives of the poor. Better access to water, sanitation, electricity, health care, and education is important if people are to bear the cost of these improvements.

- **Participation underpins progress.** Urban programs are more likely to succeed if the intended beneficiaries participate as stakeholders in the program's design and implementation. Communities must be consulted regarding their needs, priorities, and willingness to pay for necessary improvements in urban services. Experience suggests that participation and payment for services will increase along with demonstrated improvements in urban services. Furthermore, as communities are constituents of local government, their participation in planning and implementation processes is a necessary part of good governance.

3 USAID's Ability to Replicate Its Urban Successes Must Be Reinforced

The lessons learned and success stories presented above reflect a relatively small, but constant, commitment by the Agency over three decades to helping the urban poor. USAID's historically limited level of attention to the urban challenge may reflect in part the legacy of an organization that was launched when the world was much more rural than urban.

Today, the Agency's urban work is very highly respected by donor and beneficiary countries alike. USAID possesses considerable experience and knowledge in urban finance, management, housing and infrastructure, community participation, sanitation, industrial and municipal pollution prevention, and energy, along with best practice examples of environmentally sustainable urbanization. But its continued ability to provide leadership in the urban sector and replicate the types of success stories presented above stands in serious jeopardy.

In the first place, considerably less than 10 percent of Agency assistance — roughly some $450 million per year — is currently devoted to programs that can be considered urban. Moreover, this budget is unevenly distributed. More than 70 percent of urban assistance is concentrated in three countries (Egypt, West Bank/Gaza, and Bosnia) in large infrastructure development programs. Of the remaining 30 percent of resources, countries in Europe, the Newly Independent States (NIS), and Asia receive most of the urban assistance. Countries in southern Africa, Latin America, and the Caribbean account for the rest. The distribution of an already limited urban budget obviously leaves many USAID-assisted countries faced with rapid urbanization with very limited USAID support.

A related threat to USAID's ability to continue to lead in the urban sector lies in the decline in its core ability to provide and enhance credit for urban environmental projects. The urban sector is currently experiencing a 20-year low in its level of urban funding, particularly in its Urban and Environmental (UE) Credit program.[1]

A final related threat to USAID's leadership in the urban sector lies in the erosion of its cadre of highly skilled urban specialists. In the urban sector, USAID has historically relied on the support of its Regional Urban Development Offices (RUDOs). RUDO specialists have provided technical expertise related to the urban environment, urban development, and shelter, and have helped Missions manage USAID's portfolio of urban programs. These Offices traditionally provided a field presence in all of the developing regions of the world: Latin America and the Caribbean, Asia, Africa, the Near East, and, most recently, Eastern Europe and the NIS. Now the number of RUDOs has shrunk from 13 offices in 1995 to only 8 just three years later. This reduction is closely tied to lower levels of UE Credit funding, as the UE Credit administrative expense account currently funds the RUDO network and the central Environment and Urban Programs Office.

While disturbing, there is still time to reverse this threat to USAID's continuing leadership in helping developing countries combat the problems of rapid urbanization. The remainder of this paper shows how USAID can strengthen its urban leadership in developing countries through the "Making Cities Work" strategy.

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[1] Formerly known as the Housing Guaranty program.

4 USAID CAN BETTER REACH ITS GOALS WITH AN URBAN PERSPECTIVE

A cornerstone of the Urbanization Task Force's "Making Cities Work" strategy involves building urban approaches into all of USAID's programs. This involves a paradigm shift from an overly narrow definition of what "urban" means to grasping the truly cross-cutting nature of urban issues. Making cities work is not an end in itself; it is rather a means for improving the lives of poor persons in developing countries in many ways.

The goal of the "Making Cities Work" strategy is for USAID and its partners to help create cities that:

■ offer safe and healthy places to live, within a sustainable environment;

■ provide basic infrastructure and housing that serve all their inhabitants;

■ feature robust economies, with ample opportunities for employment; and

■ promote participatory democracy, producing high levels of citizen satisfaction with their local institutions.

In the same way that cities touch people's day-to-day lives in various ways, so too *the "Making Cities Work" strategy directly supports all of USAID's goals.* Below, all six of USAID's fundamental goals are examined through an "urban lens."

Goal #1: Encouraging Broad-Based Economic Growth and Agricultural Development

As suggested above, well-functioning cities further economic development, while dysfunctional urban areas deter economic growth. USAID can encourage broad-based economic growth through several comple-mentary urban approaches. Cities in many developing countries do not provide sufficient levels of urban services, forcing businesses to invest in costly alternatives. In Nigeria, 92 percent of manufacturers surveyed ran their own electrical generators. In Indonesia, 59 percent of manufacturers had dug their own boreholes for water. These piecemeal initiatives, often costly and environmentally unsound, drive up the costs of doing business and stunt economic growth. USAID can help cities provide basic infrastructure that sup-
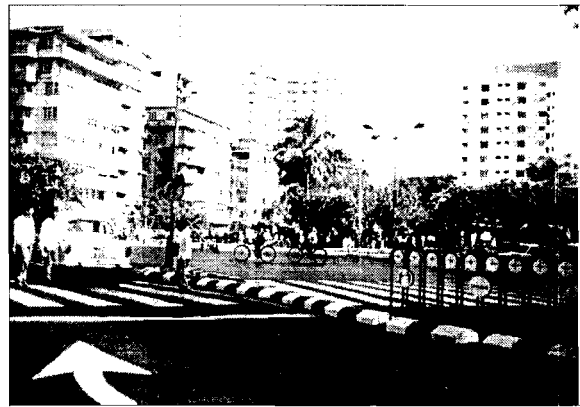
Improved urban services have paved the way for economic growth in India.

ports economic development. Often working in partnership with the private sector, cities can achieve economies of scale in providing the water, energy, and other services essential to economic growth.

USAID-supported urban activities can help small-scale farmers, many of whom are poor women. Farms rely on effective marketing and distribution systems and services that are often urban-based. In addition to helping small farmers improve their yields, USAID should devote more effort to help create necessary reforms and incentives that lead to improvement in these systems and services.

USAID can help small business owners, who tend to cluster in cities. The major complaint of small-scale entrepreneurs around the world is lack of access to credit. USAID has opened the doors for countless small business owners, many of whom are women, to obtain their first business loans. USAID has also assisted small and medium-sized companies in accessing clean technologies to improve their productivity and competitiveness.

USAID can also nurture housing markets. While shelter has long been recognized as a basic human need, recent studies have demonstrated the importance of housing as an economic sector and source of jobs. Housing investment and related services usually account for between 7 and 18 percent of a country's gross national product (GNP). Paralleling this rising awareness of housing's economic clout, recent approaches to shelter have de-emphasized the direct provision of housing by government and focused on creating an environment that enables shelter delivery, including delivery to poorer families, by the private sector.

By strengthening the urban approaches discussed above, USAID will enhance progress toward its goal of fostering broad-based economic growth and agricultural development.

Goal #2: Strengthening Democracy and Good Governance

Cities serve as incubators for political leadership, representative government, and good governance. In most cities of the developing world, mayors, city council members, and ward leaders are elected and held accountable by local constituencies. They are responsible for supporting the general welfare of these communities and for engaging stakeholders in public decision making. Once leadership and governance skills have been developed at the local level, they can be put to enlightened use at the national or state level.

Good governance plays a crucial part in the challenge of urban service provision. In Guatemala, for example, some mayors have found that attempts to raise tariffs can lead to protests if they neglect to consult with citizens. Mayors have, however, achieved substantial rate increases when they have sat down with citizens, listened to their concerns, and explained how paying higher tariffs will lead to improved urban services. Low-income families care deeply about extending new potable water service to an informal settlement. Families can easily grasp how their involvement (e.g., ranking investment priorities, providing self-help) will make a difference. Citizens will therefore be likely to invest the time to attend public meetings and otherwise engage in democracy and governance activities that are centered around vital urban concerns.

Stakeholder participation in urban programs: a cornerstone of good governance.

USAID can continue to meet its democracy and good governance goal through an urban approach in several ways.

■ Encourage countries to decentralize responsibilities and resources to the local level. A policy framework that empowers local governments to guide growth and provide urban services provides part of the base for sustainable development.

■ Strengthen local government capacity. Local leaders will be more likely to engage their constituents in meaningful

dialogue when they can, for example, stand up in front of their constituents and confidently explain the financial health of their municipality, without fearing to appear ignorant due to lack of knowledge.

- Build the skills and mechanisms of democracy and good governance in municipal and urban settings.

The Link between Urban Issues and the Democracy and Government Goal

William Reese, Chair of InterAction, recently asked: "What is more basic than being involved in the political system, selecting our leaders and telling them what we, as citizens, expect our government to do for housing, water, education, and health? Like a garden, democracy will suffer if left untilled, unwatered, and unfertilized."

Goal #3: Building Human Capacity through Education and Training

Well-trained human resources are fundamental to sustainable development. Building human capacity makes citizens employable. When employment increases, personal income rises, poverty drops, families enjoy better health, birth rates decline, the status of women and minorities improves, and national production surges.

One of the major challenges in building human resource capacity is to prepare citizens to join the urban workforce. The very success of the Green Revolution means that more agricultural output can be produced with fewer workers, producing an "excess" rural population that has to be absorbed elsewhere in the economy. Urban centers are uniquely capable of producing jobs. In India, one study of Punjabi migrants to Delhi found that 94 percent of them had found work after two months.

Education and training help such urban workers find better jobs and lift themselves out of grinding poverty. Yet public and nonprofit organizations that provide basic and vocational education are often overwhelmed

by the deluge of urbanization. The poor are often the first to suffer from a lack of attention.

USAID can take an urban approach to building human capacity in several ways. Programs that develop human capacity need to strengthen the urban institutions (often including municipalities) that provide needed education and training. Training should focus on helping poor persons become employable, learn about job opportunities, and gain specific marketable skills.

Goal #4: Stabilizing World Population and Protecting Human Health

Typically, there are both positive and negative impacts of urbanization and industrialization on population and health. The density of population usually allows more efficient delivery of higher-quality services, such as family planning services, which have resulted in lower fertility rates in urban areas. On the other hand, these services are also required to respond to new disease patterns uniquely associated with urban living conditions or exacerbated by them. Examples include HIV infection, tuberculosis, and water-borne and respiratory illnesses.

Urbanization has impacts on population issues and health that are clearly linked to other USAID priorities. Poverty is an important predictor of urban morbidity and mortality, as are environmental conditions. This is particularly true for the urban poor, who not only are disproportionately exposed to water-borne, sanitation-related, and other infectious diseases, but also must cope with the most egregious insults of industrial pollution of air, water, and soil.

USAID can support clean industrial production to redress some of these abuses. However, complex interrelationships make improvement of living conditions in the urban environment especially challenging. Yet, when the administrative and policy focus tends to be at the municipal rather than the

national level, there is greater opportunity of collaboration across sectors (e.g., health, water supply, and housing) to allow problems to be more effectively and comprehensively addressed.

Goal #5: Protecting the World's Environment for Long-Term Sustainability

Urban areas affect the environment in a number of ways, involving industrial, commercial, and residential practices — primarily through their use of land; their need for natural resources, such as water; and their

Urban infrastructure is central to sustainable development.

production of wastes and pollution. The interaction between urbanization and the local, regional, and world environments in which this urbanization takes place is direct, substantial, and complex. For many years, a major priority of USAID's urban programs has been improving water supply, wastewater disposal, and solid waste collection in the cities. Relatively little attention has been paid to urban energy and transportation — major contributors to urban pollution and production of greenhouse gases, to other energy issues, to industrial operations, and to the linkages of urban areas with their surrounding natural resource bases. As urbanization increases, USAID can expect to receive more requests for assistance based on these issues.

Adding the equivalent of 40 cities of 2.1 million every year for the next 30 years will result in very negative environmental impacts on air, water, land, and other natural resources unless urban growth is better managed. Furthermore, undesirable patterns of growth will lock in unsustainable levels of greenhouse gas emissions for decades to come, which will contribute to global climate change. It is thus critical that urban growth management take on increasing priority within USAID environmental programs.

Goal #6: Saving Lives, Reducing Suffering Associated with Natural or Man-Made Disasters, and Reestablishing Conditions Necessary for Political and/or Economic Development

Beside meeting urgent needs in times of crises, USAID's humanitarian and transitional assistance efforts are aimed at reducing the potential impact of crises and, following disasters, reestablishing personal security and basic institutions to meet critical intermediate needs and protect human rights. Disaster prevention and mitigation efforts can be greatly enhanced if examined through an "urban lens" that integrates these efforts into the urban management process. This lens can help prevent transient difficulties in urban areas from becoming complex crises with lives of their own; can reduce disaster-related losses; and can also enhance the resiliency, recovery, and self-reliance of cities.

USAID has already initiated regional urban disaster mitigation efforts in Bangkok, Kingston, and Quito. It has programs and strategies for natural and man-made disaster management, from pre-disaster planning and mitigation to post-disaster recovery to incorporating hazard management into the overall urban development process.

To further integrate an "urban lens" into disaster prevention and mitigation efforts, however, an important future activity will be to support change in the project and environmental review processes of USAID and other

development entities to identify and manage the risks and vulnerabilities inherent in natural and man-made disasters. To be sustainable over time, urban and urban-related development activities must be made disaster resistant. This includes community-level training and capacity building activities to raise awareness and understanding of hazards and how those hazards can be managed as part of the urban development process.

Likewise, USAID recognizes the need to take urbanization into account and to strengthen local community efforts and local authorities to make successful transitions from relief to development assistance. Cities in crisis have special needs not always recognized — for sanitation, clean water, and other infrastructure, as well as for the education of their children. Giving greater focus to the urban aspect of disaster mitigation efforts will help cities move from crisis management toward urban management and risk mitigation.

5 STRATEGY AND IMPLEMENTATION

Precepts and Premises

The Urbanization Task Force's "Making Cities Work" strategy builds on the lessons learned from ongoing urban and urban-related programs and from considerable Agency successes in dealing with urbanization. *The strategy is based on existing Agency and field Mission objectives and neither changes them nor adds to them.* It relies primarily on strategic and analytical emphases and a retuning of Agency resources. The thrust of the effort will be to work with receptive USAID Missions to critically evaluate the role of urban areas in a country's development process and, where appropriate, jointly target specific cities and/or urbanizing regions. While additional dollar and human resources will probably be needed at some point to accomplish all the recommendations, much can be done by refocusing current resources through an "urban lens."

The precepts of this strategy are that USAID:

- with full recognition of its ongoing urban-related programs and its considerable successes in coping with urbanization in developing countries, will continue to adapt its behavior, attitudes, and practices to the urban reality of the 21st century;

- can facilitate and enhance the pursuit of its six major goals by making cities work better;

- will analyze current Agency utilization of its entire range of credit and grant tools and specialized staff available to address urbanization concerns;

- acknowledges that Bureaus and Missions are at different places in their approaches to urban issues (i.e., one template does not fit all);

- can achieve USAID's multisectoral objectives most effectively by targeting cities in USAID-assisted countries over a 5–10 year period; and

- will form partnerships and work with a broad array of outside organizations in order to achieve mutually agreed upon goals — such partnerships are essential because developmentally sound private investment in urban areas will be increasingly critical to making cities work.

Five basic premises underlie the "Making Cities Work" strategy.

- Partnership with an array of institutions is essential to the success of this effort.

- The Agency needs to take better advantage of its internal urban expertise that is spread throughout the Agency, as part of enhanced multisectoral collaboration efforts.

- To succeed, the Agency must embrace an urban view at each of its three levels (i.e., USAID as a whole, the Regional and Global Bureaus, and the field Missions).

- This embrace must be flexible and cognizant of the many demands that are placed on staff and resources. Ultimately, progress in particular places will be made as urbanization comes to be viewed as an important factor in the development culture of the Agency.

- A different mix of financial and human resources is needed to lend credence to the Agency's commitment to the "Making Cities Work" strategy.

Implementation

To implement the strategy, four core sets of recommendations have been adopted: building alliances with outside organizations, increasing USAID's awareness of urbanization strategies and programs, developing USAID's internal capacity to address the urban agenda in the next century, and devising the right balance of credit and grant financing mechanisms to address the urban development needs of client countries.

1. Building alliances

The Agency will build or expand links with organizations that share an interest in the goal of making cities work by involving them more closely in the work of the Agency through consultation and incorporation of their expertise in specific programs. Such organizations will include other U.S. government agencies, private sector groups, and donors. The three specific components are as follows.

1.a. Business and private financial community

The Agency will establish a program, designed in full consultation with the American and world business community, that will help create the policy and market conditions needed to facilitate the participation of these businesses in broad-based urban activities. Consideration will be given to:

- institutional collaboration among USAID, private industry, and professional associations engaged in urban development, including pro bono work by expert figures in such groups;

- information exchange and training for local businesses to build their capacity and ability to joint venture with American businesses in broad-based urban activities in countries and sectors of particular interest to USAID;

- promotion of the participation of U.S. and foreign equity partners in water and other urban investment projects;

- promotion of clean technology centers, in collaboration with the private sector, that will disseminate information on pollution prevention and sustainable production methods; and

- organization of a consultative process with the U.S. and world financial sector and capital markets institutions, including those involved in municipal finance; USAID will continue to help create the policy and market conditions that will facilitate private sector engagement in environmental and shelter improvement programs overseas, particularly for water, wastewater, solid waste, transportation, and shelter programs.

1.b. Nonprofit community

The Agency will establish a program, designed in full consultation with the worldwide nonprofit community, to tap the expertise of organizations that promote sustainable urbanization, local governance, and provision of services to the urban poor. This will include a best practices outreach component, which will build on the Agency's Lessons without Borders program, as well as working with international PVOs to build a culture that nurtures sustainable community systems, such as those undertaken with PLAN International. The Agency could also request PVOs to submit proposals in support of MCW for funding as the way to initiate this component.

Current partnerships will be expanded to include such organizations as Meeting America's Housing Needs, the National Alliance to End Homelessness, the National Congress of Neighborhood Women, Banana Kelly, and a variety of university and other academic centers.

USAID is also to consider additional local government partnerships in the U.S., e.g., the National Association of State Development Agencies, the National League of Cities, and

the National Association of Black Public Managers.

It also makes good sense to continue use of the combined expertise and experience of federal agencies, such as the U.S. Environmental Protection Agency, the U.S. Department of Energy, and the U.S. Department of Housing and Urban Development, in the formulation and execution of joint programs and in building expanded alliances.

1.c. The international community

USAID will establish urban technical assistance funds for use with multilateral development institutions and other donors, in collaboration and coordination with selected USAID Missions. The World Bank is committing $15 billion over five years for urban environmental infrastructure programs that emphasize urban services for the poor, a cleaner environment, and finance for infrastructure and shelter, provided that good programs can be prepared.

Discussions have already been held with the World Bank concerning the possibility of collaboration with USAID in the southern Africa region. Similar discussions are to be initiated in other parts of the world. The Inter-American Development Bank, the Asian Development Bank, and the African Development Bank are also logical partners for expanded efforts — as are the United Nations organizations involved in technical assistance on urban development issues.

A growing number of Organisation for Economic Co-operation and Development (OECD) countries, which have not in the past considered urban issues part of their development agendas, are now in the process of developing urban strategies. Coordinating approaches and designing complementary technical assistance programs in countries of high priority to USAID would be welcomed by those institutions.

2. Increasing USAID's awareness

USAID is to further develop its internal strategies at all three levels: Agency, Bureau, and Mission.

2.a. Agency

The Bureau of Program and Policy Coordination (PPC) will ensure that the Strategic Plan Team (SPT) reviews and revises the overall Agency strategy to include a greater focus on urbanization and "making cities work" to enhance achievement of Agency goals and Strategic Objectives (SOs). As part of this review, the SPT is to hold a rigorous technical discussion with Agency urban specialists from all sectors, as well as outside urban development experts, comparable to the session convened by PPC and G/WID with Agency economists.

2.b. Regional and Central Bureaus

Each Bureau will establish its own process to begin to integrate urbanization and related issues into its strategic planning framework. The Global Bureau is to assist in such exercises.

2.c. Country Missions

Guidelines are to be developed to assist interested Missions in analyzing their overall portfolio with an urban perspective. Task Force members are prepared to use their technical expertise to work with several country Missions to ascertain how a greater focus in Mission strategies on "Making Cities Work" might enhance achievement of those Missions' SOs. AID/W will assist in the analyses and potential follow-on activities.

2.d. Annual report

The Task Force will prepare an annual report on the progress of its "Making Cities Work" strategy, which shall be incorporated into the Agency's goal review process.

3. Developing USAID's internal capacity

The Agency is to increase its capacity to carry out this program.

3.a. Technical experts and assistance groups

An ad hoc "technical experts and assistance" group for broad-based urban programs is to be established to provide assistance to Bureaus, Missions, and external organizations in carrying out the various activities called for under the "Making Cities Work" strategy. This group will consist of USAID direct-hire technical and country experts from AID/W and USAID-funded consultant-experts. In working with any particular country, the group will include appropriate Mission and country personnel. The group will assist in designing country strategies, developing results packages, and jointly developing broad-based urban activities for external funding by MDB or private sector local authorities. It will also promote wide-ranging information exchange within the Agency. The Global Environment Center will chair the group. New responsibilities of group members are to be included in each member's work objectives.

3.b. Other capacity strengthening measures

The Agency's capacity to monitor and address urban conditions around the world will be strengthened over the next five years. Bureaus represented in the task force have consistently expressed a need for additional human resources to enable them to devote the necessary attention, both in Washington and in the field, to this activity. Additional professional capacity in each of the Bureaus may be expanded through hiring experienced urbanists via the International Development Intern program. Meanwhile, short-term training courses in strategic urban issues will be initiated and offered to existing staff, starting in FY 1998.

4. Ensuring appropriate funding tools

The Agency will start now and increasingly realign its resources to ensure that its urban development activities and personnel are not solely dependent on credit appropriations.

4.a. Seek now, and over time, increase the level of UE credit authority. The urban and environment credit mechanism is an effective tool for promoting sustainable development and has been the core of the Agency's urban programs.

4.b. In line with the Agency's strategic objectives, increase the synergy and effectiveness of programs already financing activities in urban areas.

4.c. Use grant funds and general Agency (non-UE Credit-related) operating expenses to finance desirable urban development activities and key urban field staff in those countries and geographic regions where credits may not be possible or effective.

Anticipated Results in Three to Five Years

Over the next year, USAID can begin to build alliances and develop a program in accordance with the recommendations set forth above. Through a process of consultation, both internally and externally, the Agency can set realistic and concrete objectives that can be achieved within five years. To help accomplish this, a "technical experts and assistance group" for formulation of broad-based urban programs is to be established. The group will provide assistance to Bureaus, Missions, and external organizations in carrying out the various activities called for under the "Making Cities Work" strategy.

As noted above, the transformations sought are unlikely to occur without a sustained effort over a period of 10 years or longer. Nevertheless, very real achievements are possible within five years.

■ First, strategically designed technical assistance activities and alliance activities will have leveraged up to $1 billion of urban investments by other donors, the private sector, and NGOs, all contributing to making cities work. This will contribute to better living conditions for millions of mostly low-income urban families. There will be increased partners' participation in ongoing urban programs and increased American business involvement in the design of USAID-assisted municipal programs.

■ Second, the Agency's staff of direct-hire and contract employees with urban expertise will be of sufficient size to have built strong external alliances, to be able to advise USAID Missions and the Agency's humanitarian relief efforts on a broad inter-sectoral development approach involving urban considerations.

More specifically, the following results are anticipated.

■ An alliance with numerous American business and nonprofit organizations that share the common goal of making cities work will be operational.

■ Shared-design efforts with members of the Alliance, other financial partners, and U.S. agencies in up to 10 countries or regions will have leveraged at least $1 billion of new investment supportive of Agency goals.

■ Integration of an urban perspective into the Agency's Strategic Plan by the year 2003.

■ Development and maintenance of an inter-active Web page, the "Urban Lens," with guidelines for strategic USAID programming by 1999. The Agency's programs will be increasingly designed within a conceptual framework that ascribes importance to urbanization and its management.

■ Development/upgrading of urban and municipal analytical tools for application in at least three locations by the year 2000.

■ Some 200 USAID professionals will have received short-term training in strategic urban issues, and the Agency's culture will be one in which its officers recognize that working cities enhance the achievement of the Agency's goal of sustainable development.

■ Participation of at least five country/regional Missions in analyses of their overall portfolio to determine how having better working cities can help them achieve their objectives.

■ A cross-cutting multi-sectoral technical experts group, drawing on urban expertise that exists throughout the Agency, will be operational and increasingly available to assist Bureaus and Missions.

■ The Task Force will prepare an annual report on the progress of this "Making Cities Work" strategy, which will be incorporated into the Agency's sector review process.

Following these recommendations, the Agency should see significant short-term differences in its approach to urbanization and will be well on its way to preparing for the new millennium.