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DEVELOPMENT COOPERATION AND URBAN DEVELOPMENT

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ACRONYMS USED IN THIS PAPER

AfDB	African Development Bank
AfDF	African Development Fund (soft loan affiliate of AfDB)
AFESD	Arab Fund for Economic and Social Development
AID	US Agency for International Development
AsDB	Asian Development Bank
CABEI	Central American Bank for Economic Integration
CDB	Caribbean Development Bank
DAC	Development Assistance Committee of the Organization for Economic Cooperation and Development
DESWOS	German Development Assistance Association for Social Housing
EDF	European Development Fund of the European Economic Community
FRG	Federal Republic of Germany
FSO	Fund for Special Operations (soft loan fund of IBD)
FUNDASAL	Salvadoran Foundation for Development and Basic Housing
HG	Housing Guaranty Program of AID
IBRD	International Bank for Reconstruction and Development (World Bank)
IDA	International Development Association (soft loan affiliate of World Bank)
IDB	Inter-American Development Bank
IsDB	Islamic Development Bank
LDC	Less Developed Country
MISEREOR	PVO of the Catholic Church of Germany
NGO	Non-Governmental Organization
PVO	Private Voluntary Organization
SELAVIP	"Hogar de Cristo" Housing Foundation, Chile
UK	United Kingdom
UNCHS	United Nations Centre for Human Settlements
UNDP	United Nations Development Programme
UNICEF	United Nations Cultural and Educational Fund
WHO	World Health Organization

I. INTRODUCTION

The scale of urban development in developing countries is without precedent in the experience of developed countries. The world's urban centers are expanding rapidly, some cities are reaching massive sizes, and it is all happening at a time of severe global economic and financial constraints. Considerable experience in urban development assistance has accumulated in the last two decades, and, as the World Bank's paper for this conference points out, the store of knowledge on urban development is not static. The donor community should lead the way in innovation, experimentation, and large-scale application of solutions. The fact that this meeting is being held is an encouraging part of this effort.

This paper has two basic purposes. First, it examines the evolution over the past 20 years of international assistance to the developing countries for urban development. It is a record of some considerable accomplishment, particularly since the international donor community has not viewed urbanization as a priority issue. Second, and more importantly, the paper presents an urban policy and implementation framework for future donor efforts. International assistance organizations need to be aware and take account of the basic lessons that have emerged over the two decades of experience in urban development, and to apply these principles in their work. The major multilateral agencies and AID have developed a rough consensus on a set of policies based on the indisputable fact that foreign money alone can make no more than a marginal impact on urban problems. International assistance must be a catalyst of policies that promote the efficient and equitable use of scarce resources, the replicability of urban programs on a mass scale, the strengthening of institutional capacity for urban management, and the mobilization of domestic financial resources for urban programs. In addition to the policy analysis, the paper also discusses the extensive array of mechanisms that international assistance agencies have developed to address urban problems in developing countries. One key need is for international organizations to more frequently collaborate on technical assistance, training, financing, and implementation of urban assistance efforts.

International financial flows for urban development are small both absolutely and relative to other types of assistance. However, even if the amount of international urban assistance were doubled or tripled, which is very unlikely, it would still be only a tiny fraction of what LDCs would need to meet the needs of their urban populations. The critical need is for donor agencies to improve the efficiency of their assistance. They must have well-defined policies to build up LDC capacity for the long term. In a phrase, urban assistance must create much more than physical works. It must create self-reliance, both financial and institutional, for the urban populations of the developing world.

II. EVOLUTION OF INTERNATIONAL DONOR APPROACHES FOR URBAN DEVELOPMENT ASSISTANCE

Most of the multilateral agencies, including the World Bank, the United Nations, the Inter-American Development Bank, and the Asian Development Bank, have a narrow, functional definition of the sectors that constitute urban development. This allows urban projects and programs to operate without overlapping with other traditional sectors.

Urban development covers:

- Shelter, including housing finance and construction
- Water supply, sanitation, and solid waste
- Urban transport
- Urban management, including municipal finance

At the same time, a substantial amount of the international assistance given in other economic and social sectors--such as industry, transportation, education, and health--goes to urban areas and urban residents. This suggests an important point: While it is often useful to define urban development sectorally, especially for dealing with program implementation, urban development is essentially multisectoral. It is best viewed as a spatial dimension of the framework for allocating resources for coordinated development. In recent years, there has been a gradual evolution from narrow sectoral projects to broader programs stressing overall urban management.

The World Bank

The World Bank began in the early 1970s to finance projects in low-cost shelter (especially sites and services and neighborhood upgrading), community services, and urban transport (mainly improving bus service, traffic management, and access for lower-income areas). Some initial projects were single-sector, others multi-sectoral, but they shared some common policy themes: 1) targeting primarily the lower-income urban population, 2) increasing financial replicability through affordable standards, increased cost recovery and reduction of subsidies, and 3) coordination of investments by more than one institution. The first projects were typically in the capitals or largest cities, but subsequent projects often covered several cities or were directed at "secondary" urban centers.

In recent years, the World Bank has recognized that a project-by-project approach fails to address the problems of urban development on a large scale. As a result, it has been putting a stronger emphasis on urban institution-building, improvement of urban financial systems and resource mobilization, and development of capacity for operation and maintenance of urban services. The key features of these projects are that they cover wider geographic areas (national, regional, or metropolitan); contain large and sophisticated technical assistance and training components; stress institutional reforms; and involve significant changes in tax systems, tariff and fee structures, and housing finance.

Regional Development Banks

In the 1960s, the Inter-American Development Bank (IDB) had a large lending program for housing, mainly completed units, and water supply and sanitation. With the depletion of resources of the Social Progress Trust Fund in 1966, these programs declined greatly in volume. The IDB no longer finances completed housing. It is committed to a program of urban development lending for sites and services (including building materials loans), community upgrading, municipal development (urban infrastructure), and, to a lesser extent, small-scale enterprise. The trend in the IDB has been consistent with the World Bank's with respect to increasing attention on technical assistance for better long-term planning and management of urban services.

In the first ten years since its inception in 1967, the Asian Development Bank (AsDB) financed a large amount of infrastructure--energy, transportation, and communciations --which had direct impact on urban areas. But it was not until 1976 that the AsDB financed its first "typical" urban project. Since then, the AsDB has financed a small

but steady stream of projects covering sites and services, water supply, and sanitation in urban communities. The AsDB has also been providing an increasing amount of technical assistance for institutional development to improve housing finance and production, municipal finance, and urban service delivery.

The Caribbean Development Bank (CDB) began financing housing estates in the 1970s but has recently changed its focus toward one more consistent with the other major donors. The CDB is now providing funds for establishment of housing finance institutions and technical assistance to help borrowers develop more effective local fund-raising mechanisms.

The African Development Bank (AfDB) does not have a lending or technical assistance program for urban development per se, though a large proportion of its sectoral investments are located in urban areas. The main explicit urban activity of the AfDB is support for the establishment of Shelter-Afrique, a regional organization designed to support housing finance institutions in African countries.

The Central American Bank for Economic Integration (CABEI) provides a substantial amount of assistance to its region for urban infrastructure and housing. CABEI has accounted for about one fifth of total investment resources in Central America in recent years. CABEI's lending program is supported in part by the IDB, AID, FRG, and Japan.

United Nations

The United Nations Development Programme (UNDP) began in 1965 to provide grants for technical assistance in urban development. These projects have covered urban planning, training, finance, administration, self-help housing, building materials, and low-cost urban infrastructure approaches. UNDP is extremely active in co-financing technical assistance in conjunction with the urban development loans of major multilateral and bilateral agencies.

The United Nations Centre for Human Settlements (UNCHS or HABITAT), founded ten years ago, is responsible for executing technical cooperation projects for urban development worldwide. UNCHS receives most of its funding from UNDP and is also a frequent partner in projects with other international agencies.

Bilateral Agencies

Bilateral donors have supported a wide range of urban development activities through both capital assistance and technical cooperation. However, most bilateral donors do not have explicit urban development objectives. Only a few provide assistance in the "core" urban development sectors--shelter and community infrastructure. On the other hand, bilateral agencies are active in complementing non-concessional urban development loans with grants and soft loans for technical assistance and training.

The US Agency for International Development (AID) has for many years had explicit policies and mechanisms for urban development. The principal instrument of AID is the Housing Guaranty Program (HG), established in 1963. This program, directed by AID's Office of Housing and Urban Programs and its several regional offices, channels financial resources from private institutions in the United States into loans for shelter-related projects in LDCs. The loans are backed by a US Government guaranty to the lenders. In the 1960s, the HG program concentrated on creating and capitalizing finance institutions--especially savings and loan systems--for traditional completed

housing. In the early 1970s, the HG program shifted toward projects for the lower-income urban population following the sites and services and neighborhood upgrading models. The present HG portfolio covers low-cost shelter, urban infrastructure, and community facilities. The most recent projects stress maximum participation of private sector finance, construction, and community organizations. AID promotes five basic objectives in its shelter program: 1) affordability; 2) financial self-sufficiency of lending institutions; 3) an increased role for the private sector; 4) replicable approaches; and 5) preparation of national housing policies.

AID also has a substantial program of technical assistance for urban development. Grants are provided for urban policy studies of various kinds, urban planning and program implementation, training, managerial and financial improvements in institutions, and community development.

In 1984, AID developed an agency-wide Urban Development Policy. This policy statement goes well beyond the traditional sectoral focus. AID's urban policy has six main components: 1) Assistance in preparation of country development policies leading to appropriate allocation of resources between urban and rural areas; 2) Improving capital and labor markets to help enhance non-farm labor productivity and job creation in the private sector; 3) Shelter programs for the urban poor that are based on affordability and cost recovery; 4) Education, health, and community development programs that support an urban development strategy; 5) Urban institutional development and training; and 6) Support for urban infrastructure.

Non-Governmental/Private Voluntary Organizations

There are many Non-Governmental or Private Voluntary Organizations (NGOs or PVOs) involved with urban development around the world. It is difficult to generalize about PVOs, however, except to say that they usually focus on implementation at the local level. Some international NGOs working in developing countries are implementing organizations of particular bilateral assistance agencies. The activities of these NGOs usually are direct reflections of bilateral policies. Other international NGOs are independent in policy and financial matters from donor governments. Finally, there are numerous national PVOs that work only within one country. Examples of international NGOs that have major involvement in urban development are the Cooperative Housing Foundation (USA), whose international activities are funded by AID; DESWOS, the German Development Assistance Association for Social Housing; and MISEREOR, a PVO of the Catholic Church of Germany that puts a large share of its resources into urban water and sanitation. Two national PVOs that have become well known for their shelter and urban work are the Salvadoran Foundation for Development and Basic Housing (FUNDASAL) of El Salvador and the "Hogar de Cristo" Housing Foundation (SELAVIP) of Chile.

III. INTERNATIONAL FINANCIAL ASSISTANCE FOR URBAN DEVELOPMENT

Available data on financial flows from international donors for urban development--presented in Figure 1 and Tables 1 and 2--clearly indicate that:

- Urban development assistance to LDCs is unlikely to increase substantially in the foreseeable future. This is shown by the trend in both total and urban assistance.

- Under any assumptions, urban development assistance cannot make more than a very small contribution to alleviating the developing world's deficits of urban jobs, shelter, and services. As of 1983, the urban population of the developing countries was 1.25 billion, at least half classified as poor.
- Therefore, international financial resources should be used as much as possible to help build self-sustaining, indigenous urban problem-solving capacity in the developing countries.

International assistance for urban development is provided in the form of non-concessional (commercial or hard) loans, concessional (soft) loans, and grants. Between 1980 and 1984, slightly less than half of average annual commitments for urban shelter, water supply, sanitation, and solid waste disposal--estimated by the United Nations to be about US$3 billion--was in the form of commercial loans (see Figure 1). The majority of this assistance came from the World Bank, with AID, IDB, and AsDB also playing major roles. Around one quarter of the assistance consisted of soft loans from a variety of multilateral and bilateral sources, the largest share accounted for by the International Development Association, the World Bank's soft loans affiliate. Grants made up the remaining portion of urban assistance, around one third of the total. Grants came from a wide variety of sources including the United Nations, bilateral donors, and PVOs.

The World Bank has compiled data on official international assistance for urban development for the period 1980-83. These data cover "conventional" urban projects: sites and services, core houses, community upgrading, and related technical assistance and training (but not urban water supply and sanitation). According to these data, total bilateral commitments for urban development fell considerably over this period (Table 1). Total multilateral assistance remained fairly constant from 1981 to 1983, but there were significant annual fluctuations among individual multilateral agencies. During the four-year period multilateral funding accounted for two-thirds of all commitments. The World Bank provided over half of all urban development assistance. In general, international assistance for urban development has been declining, averaging around US$800 to $900 million per year and representing only about two percent of total official development aid. The major multilateral agencies have been devoting about 2.5 to 3.5 percent of their commitments to urban assistance.

While this share may seem low, it is on a par with what the multilaterals devote to some other sectors such as water supply, health, and education.

While "traditional" urban development projects absorb a small percentage of total assistance, urban areas, geographically speaking, receive a share of benefits from assistance in many other sectors. These include industry, transportation, education, and health. The problem is that sectoral investments in urban areas usually are not made within the framework of a well-conceived urban policy, plan, or investment program.

IV. INTERNATIONAL ASSISTANCE POLICIES AND MECHANISMS FOR URBAN DEVELOPMENT IN THE LATE 1980s AND 1990s

A. POLICIES THAT MAY BE PROMOTED BY INTERNATIONAL AGENCIES IN URBAN DEVELOPMENT

International assistance organizations should promote policies that will help build up domestic capacity in the developing countries. This section reviews a set of policies that are being applied by all of the major donor agencies involved in urban development (with some variations in emphasis). This policy agenda is consistent with the global economic and demographic realities of the present and near future; it nonetheless does not yet represent a consensus view among policymakers in developing countries. Short-run political objectives, combined with the aftermath of the economic shocks of the last decade, represent basic constraints and suggest that the agenda will need to be negotiated with sensitivity on a country-by-country basis.

1. **Formulation of National Urban Policies for Efficient Use of Scarce Resources**
   A number of developing countries have begun incorporating urban development explicitly into their five-year national economic plans. In the best of cases, an attempt is made to systematically relate urban development policies to the allocation of multi-year budgetary resources to urban areas and sectors. It is now generally understood that macro-economic policies on trade, pricing, business regulation, and financial markets tend to have greater impacts on urban and regional development patterns than do explicit measures to influence the location of economic activities. Moreover, decisions on the location of public investments are often made without proper analysis of productivity and efficiency.

   International assistance can help countries adopt national economic plans as well as planning and budgeting systems that more adequately take account of spatial—i.e., urban and regional—factors. The focus should be on the efficient use of scarce financial resources: avoiding wasteful projects in unproductive locations; matching available resources with realistic investment programs; and concentrating the right kinds of urban investments in cities and towns that have true economic development potential and can contribute to national economic growth.

   Various international donors have helped sponsor studies and provided technical cooperation for analysis and development of national urban policies. The best recent examples are Egypt (AID), Indonesia (UNCHS), Pakistan (World Bank), and Nepal (AID).

2. **Encouragement of Greater Private Sector Involvement in Urban Development**
   International assistance agencies are increasingly interested in encouraging private sector involvement in urban development. Not only are public funds inadequate to address the wide scope of urban problems, but experience shows that private organizations can operate more efficiently in supplying certain services than public institutions. The private sector includes not just business enterprises, but many types of capable institutions including non-profit foundations, cooperatives, and associations.

One aspect of urban development in which the private sector can play a much greater role is housing. A number of donor agencies have been trying in recent years to encourage private financial institutions and developers to enter the market for low-cost shelter. This has been a major thrust of USAID shelter programs. Some of these initiatives involve public-private collaboration. The fruits of these efforts have so far been small, but more time is needed to overcome long-standing biases and lack of experience. Some other urban services could also be provided by the private sector. There have been successful experiences in various countries with private supply of water, solid waste disposal, and bus transport.

3. Support for Local Government

A growing number of urban projects are focusing on strengthening the capacity of municipal governments to provide services and mobilize their own financial resources. In general, municipal government in developing countries is weak, and practical opportunities for building local institutions are limited. Most municipal development projects are focused on the larger cities where capacity is greatest. Enhancing municipal-level capacity makes sense as a policy when it is consistent with the recipient government's policy and where it promotes greater efficiency in urban management. It may be efficient, for example, for some municipalities to manage their own water supply systems. It may also be efficient in some countries for municipalities to improve their tax and fee collection procedures, thereby increasing their budgets for local works and operations.

4. Strengthening of Institutions

International assistance agencies routinely pursue institutional development as a matter of policy. This was not the case in the 1970s. The World Bank, for example, is beginning to make some urban development loans built mainly around the creation of new institutional policies, procedures, and structures. These loans address urban infrastructure, finance, and planning institutions at the national, regional, and city levels.

5. Domestic Financial Resource Mobilization for Urban Development

Deficits in urban employment, shelter, and services will remain very high in developing countries unless countries mobilize more of their own financial resources. The main international donor agencies have clearly recognized this, and there has been a proliferation recently of projects incorporating this policy. There is tremendous scope for improvement of domestic resource mobilization for urban development. Financial institutions could be improved to capture more resources for housing and other urban investments. Urban-based tax collection could be made much more effective in most countries, as could user fees for urban services.

6. Cost Recovery

Maximizing cost recovery from beneficiaries of urban projects has been a major policy theme of the World Bank and AID since the early 1970s. The IDB and AsDB have also stressed cost recovery policies. The basic rationale is that recovery of costs makes it possible to create revolving funds for large-scale replication of programs. Public funds are so scarce that there is no chance of ever meeting the needs for urban shelter and services unless costs are recovered through realistic fees and prices. Heavy subsidies for shelter and services tend to be inequitable, providing benefits for a lucky few while the majority remains unserved. Inadequate cost recovery also leads to poor operation and maintenance of urban services; the low quality of urban transport and unreliable water supply in many LDC cities are

clear testaments to this. Project cost recovery requirements ("conditionality") may include raising tariffs for services such as water supply or bus transport, increasing interest rates on loans to bring them as close as possible to market levels, or adopting pricing policies for housing that more nearly reflect real financial or economic costs.

7. Affordability Through Appropriate Standards and Technologies

Closely tied to cost recovery is the policy of making urban shelter and services affordable to the lower-income population, a cornerstone of the urban policies of the major donors during the last 15 years. The principal challenge has been to convince policymakers and technical officials in the developing countries to adopt lower-cost standards for urban shelter and services. In shelter, this has meant building sites and services and core units rather than completed houses. In water supply, it may mean standpipes rather than individual house connections. In sanitation, it may imply pit latrines rather than conventional sewerage. In urban transport, it may involve improving bus service rather than building an expensive rail system. The main donor agencies do not have rigid criteria regarding standards and technologies that they will or will not finance in urban projects. Such determinations are made on a country-by-country and project-by-project basis. But the essential objective is quite consistent: designing and delivering services whose true costs can be recovered affordably from the target population of lower-income urban families.

8. Operation and Maintenance of Urban Services

In line with the general theme of building long-term self-reliance in LDCs, there has been increasing attention among donors to improving the capacity to operate and maintain urban services. This represents an important shift of focus away from the traditional capital project orientation of international assistance (at least among the major donors). In the World Bank, a new category of urban projects has been developed—"urban engineering management". Along with improving financial aspects of urban operations, they deal directly with building capacity for sustained efficiency and productivity through better operation and maintenance practices. These efforts extend to most urban services, including water supply, sanitation, transport, roads, and solid waste disposal.

Promoting better operation and maintenance is a recognition of the need to use scarce resources more efficiently. It usually means more than introducing new procedures and skills in an institution; it also implies utilizing the physical infrastructure more efficiently. Water supply systems have huge losses because of leaks and lack of metering. Road systems are congested due to poor traffic management and inefficient circulation patterns. Thus the policy extends to the more efficient use of existing facilities before making costly investments in new infrastructure. Experience has shown that this approach can generate large increases in infrastructure capacity at moderate cost.

B. MECHANISMS THROUGH WHICH INTERNATIONAL ASSISTANCE FOR URBAN DEVELOPMENT IS BEING PROVIDED

1. "Program" Rather than "Project" Approach

To escape from the limitations of simply funding a series of capital projects that produce little long-term institutional change, some donors have started applying a "program" approach to their assistance. This is sometimes referred to as a "whole-

saling" as opposed to "retailing" approach in urban development. It means that financial assistance is given on the basis of the establishment of new and improved institutional relationships and procedures rather than on detailed analysis, by the donor, of projects or project components. The program approach works best with "experienced" LDC institutions. These have already demonstrated capacity to carry out socio-economic analysis of projects on their own. They are ready to implement more fundamental changes in their procedures, personnel, financial operations, and relationsnips with other institutions.

In the program approach, the donor agency and the aid recipient agree on the new institutional changes to be introduced and define a set of new procedures to be followed. The donor turns over responsibility for project-by-project analysis to the recipient and agrees to provide financial assistance for a broad program of investments as long as the agreed-on procedures are followed. One example of this approach is the establishment of municipal development funds in Brazil and Mexico through World Bank loans. In both cases, municipalities must qualify to obtain loans from the funds, which may be used for many different kinds of municipal improvements. The funds are administered by state governments in Brazil and by a central government institution in Mexico. The administering agencies are in charge of approving municipal investment proposals and disbursing the funds. The central feature of both systems is the establishment of new procedures and institutional relationships which are designed to endure beyond the project implementation period. This type of approach has been used in various other countries both multisectorally and in individual sectors such as water supply and urban transport. AID has also begun to apply this approach in its housing programs in India and Kenya.

2. Capital Project Funding

The financing of capital projects is the axis around which almost all urban development assistance revolves. Many different kinds of capital projects are financed through what the donors define as urban development. The central focus remains on basic shelter and services for the lower-income urban population. The majority of capital project funding is through hard loans. However, soft loans and grants also account for significant amounts of urban capital funding in the poorer countries (the main sources being the World Bank's IDA and bilateral agencies). Agencies are continually experimenting with innovative types of capital projects. A recently authorized AID project will support the rehabilitation of about 600,000 square feet of work space for light manufacturing and mixed commercial activity in Inner Kingston, Jamaica. The objective is to encourage small private business, provide jobs, and restore the decaying area as a center for economic activities.

3. Private Sector Participation

Involvement of the private sector is both a policy (see the preceding section) and a mechanism for international urban development assistance. The bilateral agencies appear to have the largest amount of experience with private/non-governmental organizations. AID, for example, has been developing Housing Guaranty Loans with funds channeled to private financial institutions and construction companies. Donors have used international and national NGOs to implement low-cost shelter and urban services projects. Private organizations, both profit-making and non-profit, have been involved in development of new construction techniques and building materials as well as community organization for internationally-funded projects.

4. Technical Assistance

Technical assistance for urban development is being provided through various mechanisms. International donor loans often contain technical assistance components consisting of "hardware" (equipment such as computers or specialized tools) and "software" (consultants and training programs). As mentioned earlier, recipients are becoming increasingly reluctant to borrow foreign exchange for technical assistance, so other funding mechanisms are being used. One is grants from bilateral agencies or the UN. Such technical cooperation grants are increasingly being "mated" with international loans. Another mechanism is project preparation. Agencies that provide urban development loans are often able to provide recipients with a substantial amount of technical assistance in the course of project preparation, which can last up to two years. Such assistance can involve institutional analysis, the preparation of new operational procedures and manuals, socio-economic data collection and analysis on the target group, or development of plans and investment programs. A third means of conveying technical assistance is through counterpart funds—resources provided by the recipient itself to complement the foreign assistance. Often the counterpart contribution is in the form of technical expertise available in the country itself.

International donor agencies occasionally fund urban development policy studies not connected to particular assistance projects. Funding for such policy studies is limited, but they can have strong impacts on subsequent assistance programs and governmental initiatives of the recipient. One good example of this is Nepal. In 1984, AID supported the preparation of an Urban Development Assessment for Nepal. This Assessment culminated in a major workshop on urban policy attended by top government officials and international agency representatives. The Assessment report and the workshop focused attention on the high growth rates of towns and cities in Nepal and on the need for new initiatives to provide urban employment and services. Since then, AID has financed a series of more specific urban development studies as well as a resident urban development adviser. He has been instrumental in helping to form an Urban and Shelter Working Group at the highest governmental level and to formulate an urban development component for the latest five-year national economic plan. As a result of all this activity, other donor agencies, including the World Bank, the Asian Development Bank, and the UN, are preparing to undertake urban development initiatives in the areas of urban planning, municipal infrastructure and finance, and housing finance.

Urban policy studies may cover many issues. Useful studies have been conducted on:

- National investment policy and strategy for urban development
- Housing finance
- Urban land use and development
- The role of market towns and secondary cities
- Municipal finance
- Affordability and cost recovery of urban shelter and services
- Urban transport

AID has developed guidelines and methods for several types of urban policy studies: Urban Development Assessments, Urban Land Policy Studies, Municipal Financial Analyses, Municipal Assessments (in preparation), Housing Needs Assessments, and Housing Finance Strategy Studies.

5. **Training**

Training, a necessary part of long-term institutional development, is becoming a specialized subject of expertise in urban development. However, knowledge about how to carry out training effectively is only beginning to accumulate. Perhaps the most important lesson learned so far is the need to conduct training needs assessments before establishing training programs. There is a tendency for people to assume that they know what kinds of training programs should be given and to fall back on old, familiar formulas for the design of training. This has resulted in much wasted effort and money. A training needs assessment need not be complicated. It enables the donor and the recipient to carefully define the target group, the objectives, and the most appropriate structure for the training.

Training may take various forms, the principal ones being:

- Short-term policy-oriented programs for high officials.
- Short-term technically-oriented programs for middle officials and specialists.
- Longer-term programs at universities or specialized institutions usually outside the country of the trainee. Sometimes these may be degree-granting programs.
- Short-term "training of trainers" projects.
- Long-term projects for the establishment of local training institutions, development of local training expertise, and preparation of training materials.
- On-the-job training in varying degrees of structure.

6. **Co-Financing**

Co-financing simply means the collaboration of two or more international donor agencies in financing one package of urban development assistance. In addition to the example mentioned earlier of a technical assistance grant from one source being put together with a loan from another, there are also cases of two lenders working together on one operation and of funds from one international agency being transformed into local currency counterpart funds for the loan of another. Some agencies have appointed staff members or established offices to monitor opportunities for co-financing and make the necessary contacts to arrange such operations.

7. Research

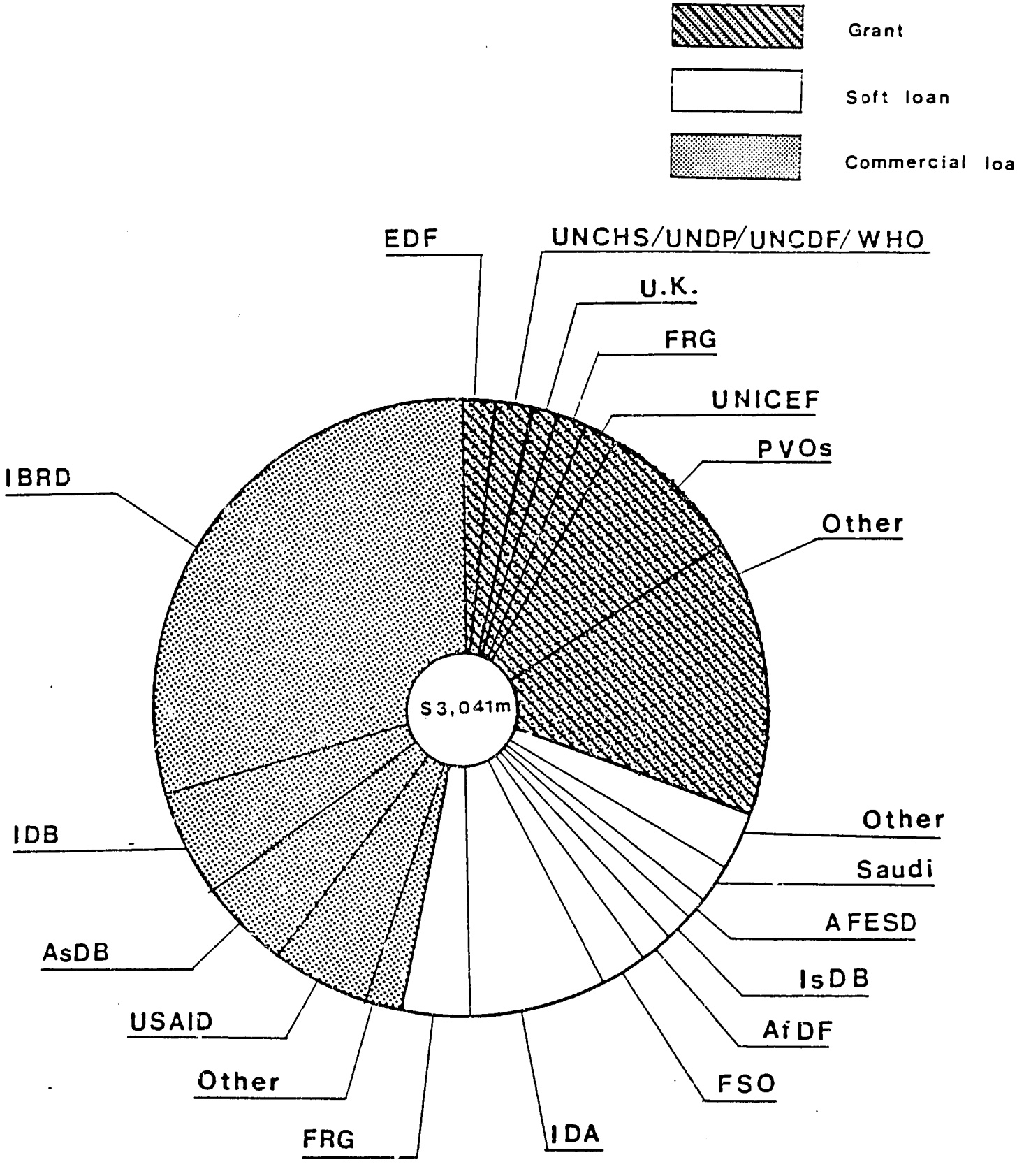
The scale and rapidity of urban growth and the low levels of income in the countries experiencing urbanization will require new solutions and a clear understanding of the full range of social and economic issues associated with urban problems. There are still large gaps in our understanding of non-farm employment, urban finance, and the ways urban services can be managed. Research is needed on these issues; however, it is unlikely that the developing countries can afford the costs, the diversion of professional skills, or the time to conduct the needed research effort. International donors should re-evaluate their commitment to urban research. A stronger research base would contribute directly to improving the effectiveness of donor contributions of capital and technical assistance to urbanization in the developing countries.

V. CONCLUSION

The pace of urban development in developing countries is accelerating. International assistance agencies will play a crucial role in helping countries deal with the problems and opportunities of urbanization. However, capital financing from foreign sources will represent only a fraction of the sums required to meet the needs for urban employment, shelter, and services in the LDCs. The general thrust in development cooperation for urban development today is, and must remain, helping developing nations use the accumulated experience of the last 20 years to position themselves for dealing effectively with rapid urbanization in a systematic, efficient, and self-sufficient way. The emphasis in international cooperation must be, not on piecemeal projects, but on establishing long-term institutional and financial structures to handle the many issues of urban development. The policies and mechanisms exist. What is needed now from the international development agencies is perseverance and further collaboration.

FIGURE 1

DISTRIBUTION OF AVERAGE ANNUAL COMMITMENTS
FOR URBAN DEVELOPMENT BY DONOR
(1980-84)



Source: United Nations

TABLE 1

OFFICIAL EXTERNAL AID FOR URBAN DEVELOPMENT PROJECTS 1/
1980-1983
(US$ millions)

	1980		1981		1982		1983		1980-83		% of Total Aid
	$	%	$	%	$	%	$	%	$	%	
Bilateral Donors 2/	482.5	50.4	294.4	32.1	186.0	23.4	191.0	23.0	1,153.9	33.0	1.2
Multilateral Donors	474.5	49.6	622.6	67.9	607.8	76.6	641.0	77.0	2,345.9	67.0	3.1
World Bank	384.2	40.2	501.0	54.6	374.8	47.2	554.0	66.6	1,214.6	51.8	3.5
IDB	40.0	4.2	11.0	1.2	190.0	23.9	39.0	4.7	280.0	8.0	2.6
AsDB	40.0	4.2	99.3	10.8	30.2	3.8	36.7	4.4	206.2	5.9	3.1
AfDB	-		-		-		-		-		--
CDB	1.0	0.1	0.4	0.04	3.0	0.4	2.7	0.3	7.1	0.2	3.8
UNDP 3/	8.7	0.9	10.9	1.2	9.8	1.2	8.6	1.0	38.0	1.1	1.5
Total	957.0	100.0	917.0	100.0	793.8	100.0	832.0	100.0	3,499.8	100.0	2.1

1/ These figures are for conventional urban development projects.

2/ Caution should be used in interpreting the bilateral figures, which are only rough approximations.

3/ Consists of financing for urban housing and infrastructure projects financed from UNDP core resources only.

Source: The World Bank, compiled from Creditor Reporting System (CRS), OECD; United Nations; Development Cooperation 1980-84 Reviews, OECD.

TABLE 2

NET EXTERNAL FINANCIAL RESOURCE FLOWS 1/
BY TYPE OF FLOW
(Selected Years)

	Percentage Shares in Total Resource Flows 1/						
	1970	1975	1978	1980	1981	1982	1983
Official Development Assistance of which	41	36	32	38	34	36	34
- Bilateral	36	29	25	30	27	28	26
- Multi-lateral	5	7	7	8	7	8	8
Grants by Private Volunteer Agencies	4	2	2	2	2	2	2
Non-Concessional Flows of which	55	62	66	60	64	62	64
- Multilateral	4	4	4	5	5	7	7
- Private sector	35	43	44	35	44	39	44
- Other	16	15	18	20	15	16	13
Total Flows (%)	100	100	100	100	100	100	100
Total Flows (US$ billions, at constant 1982 prices and exchange rates)	51.9	83.9	99.0	93.4	107.4	97.4	100.2

1/ Total net disbursements.

Source: The World Bank, adapted from Development Cooperation, 1984 Review, OECD.

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