



Making Cities Work



Urban Profile of USAID Obligations: Agency Summary, FY 2002

Urbanization and Poverty

The challenges facing cities and municipalities in the developing world over the next 25 years will be diverse and immense. In 2000, urban areas were home to 47 percent (2.9 billion) of the world's population, yet by 2030, urban areas will account for 60 percent (5 billion) of the world's total population¹. The urban picture in USAID presence countries varies across regions: Latin America and Caribbean (LAC) has the highest level of urbanization (74 percent); Africa (AFR), a predominantly rural population today, is experiencing some of the highest urban growth rates in the world; Europe and Eurasia (E&E), the second most urbanized region (63 percent) is experiencing declining urban populations in many European countries and higher urbanization rates in the Central Asia Republics; and in Asia and the Near East (ANE), the urban population (1.1 billion) is greater than that of LAC, E&E and AFR combined (824 million)¹. In all regions, the process of urbanization is an irreversible trend affecting and redefining human settlement patterns and countries' economic futures.

Natural population growth and rural-to-urban migration caused by push and pull factors such as conflict and employment opportunities are major determinants of this demographic shift in developing countries. Cities provide markets for regional and international trade, are centers for education and cultural exchange, and serve as environments for wealth accumulation and social prosperity. This potential is threatened where urban population growth continues to outpace the ability of cities and their leaders to meet rising demands for shelter, public services, and jobs. To effectively meet these challenges, governments and others must engage in strategic planning, provide supporting policy frameworks, and improve urban management capabilities. In their absence, public and private investment will be constrained and living standards threatened.

The urbanization of poverty is increasingly observed in many developing countries today. In the LAC region, for example, there are twice the number of urban poor (138 million) as rural poor (68 million). Although there are very few estimates of world urban poverty levels, one moderate calculation estimates that 30 percent (128 million households) of the world's urban population in 2001 lived in poverty². Another dimension of urban poverty not captured by income measures

is the number of slum dwellers. In 2001, UN-HABITAT estimated 43 percent (868.9 million) of the urban populations in developing countries lived in slums².

Given these demographic trends, making cities work is paramount to USAID's goal of promoting economic growth and trade as a means of reducing poverty and achieving prosperity in developing and transition countries. By investing in cities and their populations, USAID can capitalize on the potential of cities to act as engines of economic growth and grassroots of democracy.

Urban Obligations Study Objectives

In light of these development challenges, USAID's Urban Programs Team in the Office of Poverty Reduction has conducted an Agency-wide analysis of how and where the Agency invests in urban activities. The findings of the study are divided into two categories, those directed at Urban Development for the Poor (URDP) and those that have a more general Urban Impact (URB). Together these two categories are referred to as URBAN.

The findings of the FY '02 URBAN Obligations Study allows Agency operating units (OUs) to identify urban policy and investment gaps at a country and regional level to better inform development decisions. The findings of this study are also intended to serve as a foundation for OUs to identify program synergies, cross-sectoral linkages, and collaborative opportunities. The Agency's *Making Cities Work* (MCW) strategy seeks to raise awareness of the implications of rapid urbanization and promote the use of cross-cutting tools and programs that maximize the impact of Agency resources.

Summary of URBAN Obligations Findings

During FY 2002, based on "actual obligations" taken from the 2004 Congressional Budget Justifications, the Agency obligated approximately \$4.6 billion* through 448 Strategic Objectives (SOs) in 88 country-Missions and 11 regional Programs. This study found approximately \$1.9 billion (41 percent) of the total obligations were aimed at urban development activities (Figure 1 & 2). Of this:

- \$383 million (8 percent) supported *Urban Development for the Poor* (URDP) and
- \$1.53 billion (33 percent) had an *Urban Impact* (URB)

Figure 1 - FY'02 Agency Obligations categorized as Urban Development for the Poor (URDP), Urban Impact (URB), and Non-URBAN

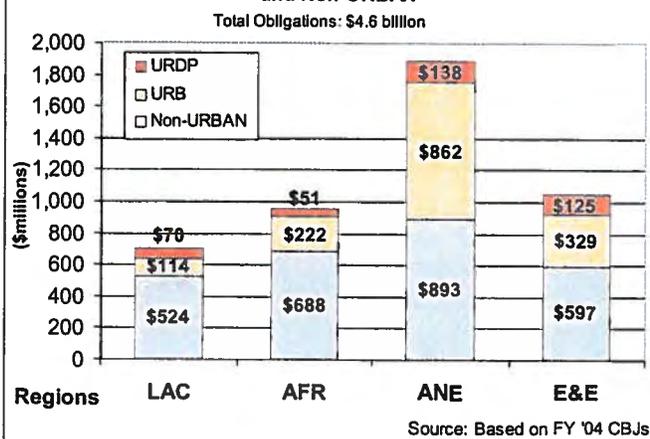
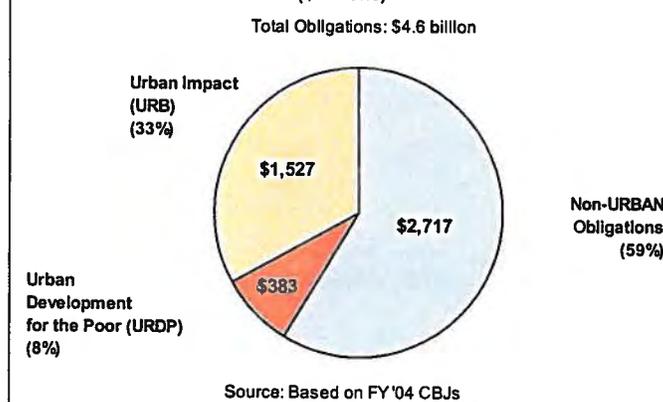


Figure 2 - FY '02 Agency Obligations (\$millions)



*Total does not include PL 480 funds, Israel, Cuba, Pillar Bureau Programs or a \$600 million cash transfer to Pakistan for Emergency Debt Relief



Urban Development for the Poor (URDP)

This category of obligations is made up of activities within any Agency goal area whose primary purpose is to assist the urban poor. These activities address development needs related to income poverty, health and education poverty, personal and tenure insecurity, and political disempowerment.

URDP Obligations by Region

Figure & Table 3 - The largest amount of obligations directed toward URDP was found in the ANE region (\$138 million) followed by E&E (\$125 million), LAC (\$70 million), and AFR (\$51 million). As a proportion of total obligations in each region, URDP obligations in the E&E region accounted for 12 percent of the region's total followed by LAC (10 percent), ANE (7 percent), and AFR (5 percent).

URDP Obligations by Mission

Within each region, the amount of obligations directed toward URDP by each Mission varies. Missions that make up the largest portion of each region's total URDP obligations are described below.

In the LAC region, 30 percent (\$21m) of the region's total URDP obligations occurred in El Salvador where funds were significantly augmented by assistance for earthquake recovery. These obligations assisted with housing construction and infrastructure development for poor families. Some of the Andean Counterdrug Initiative funds, bolstering obligations in Bolivia, Colombia, Ecuador, and Peru, also contributed to URDP by increasing access to urban markets through road development. Another large proportion (20 percent) of the LAC region's total URDP obligations came from three SOs in Ecuador: the Northern Border Development Program and the Southern Border Integration Programs, both of which contribute to the social and environmental health of communities; and a Poverty Reduction Program that increases access to micro-finance in urban and rural areas.

In the ANE region, high levels of support for Egypt and Jordan augmented the region's total URDP obligations. URDP obligations to these two Missions accounted for 30 percent

(\$41 million) of the region's total URDP obligations. Other ANE Missions that contributed significantly to this total included, India (\$23.9m), Indonesia (\$22.1m), Philippines (\$17m), and Bangladesh (\$14.2m). URDP activities in these Missions include improving education, health, and the environment for marginalized urban populations as well as expanding access to micro-finance and business development services for low-income populations.

In the AFR region, URDP obligations to South Africa accounted for 58 percent (\$29.3m) of the region's total. URDP activities in South Africa included expanding education, housing, employment and health to the historically disadvantaged black populations. Other URDP activities in the AFR region supported the re-integration of internally displaced populations and infrastructure development projects for employment creation.

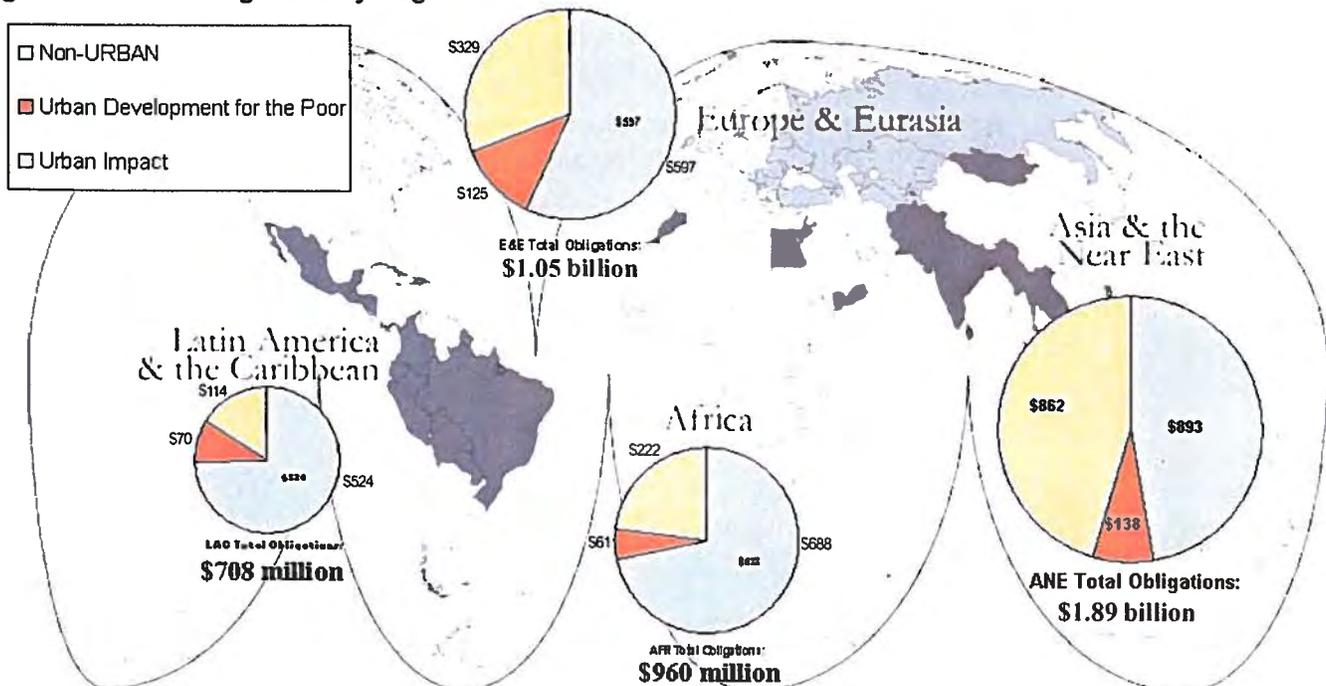
In the E&E region, URDP activities were found in almost every Mission. Micro, small, and medium sized enterprise development programs that assisted low-income entrepreneurs were promoted across the region to increase businesses competitiveness and aid in the transition to market economies. In the Central Asia Republics, new Strategic Objectives began in 2001 to support conflict prevention through public dialogue and small scale social and physical infrastructure improvement in vulnerable communities.

Table 1 - Missions Ranked by URDP Obligations (\$millions)

1	South Africa	\$29.3	11	Kazakhstan	\$12.3
2	India	\$23.9	12	Croatia	\$11.8
3	Indonesia	\$22.1	13	Ukraine	\$10.9
4	El Salvador	\$21.3	14	Uzbekistan	\$10.0
5	Egypt	\$21.2	15	Azerbaijan	\$9.8
6	Jordan	\$20.0	16	Russia	\$7.8
7	Philippines	\$17.0	17	Armenia	\$7.7
8	Ecuador	\$16.0	18	DR Congo	\$7.3
9	Bangladesh	\$14.2	19	Bulgaria	\$6.7
10	Kyrgyzstan	\$12.5	20	Tajikistan	\$6.1

Table 1 ranks the 20 Missions with the most URDP obligations.

Figure 3 - FY '02 Obligations by Region



Urban Impact (URB)

This category includes obligations supporting activities within any Agency goal area that contribute to development in urban areas. Examples include investment in urban infrastructure, urban public service delivery and governance, and urban health and sanitation.

URB Obligations by Region

Figure & Table 3 - The largest amount of obligations directed toward URB occurred in the ANE region with \$862 million, followed by E&E (\$329m), AFR (\$222m), and LAC (\$114m). As a proportion of total obligations in each region, the same order follows: ANE (46 percent), E&E (33 percent), AFR (23 percent), and LAC (16 percent).

URB Obligations by Mission

Within each region, the amount of obligations directed toward URB by each Mission varies. Missions that make up the largest portion of each region's total URDP obligations are described below.

In the LAC region, total URB obligations were augmented by Andean Counterdrug Initiative funds, which contributed to infrastructure development and improving the capacity of government service delivery in Bolivia, Colombia, and Peru. URB obligations to these countries made up 20 percent (\$59.3 million) of the LAC region's total URB obligations. The Jamaica Mission accounted for 10 percent of the total URB obligations through programs that addressed crime and youth unemployment in inner cities, particularly Kingston.

In the ANE region, just three Missions, including Egypt, Jordan, and the West Bank and Gaza accounted for 84 percent (\$728 million) of the URB obligations for the entire region. URB activities in these Missions invested in urban infrastructure development and management for economic growth including water, power, communications, and roads, and supported increased quality and access to health and education services. In South and East Asia, Indonesia (\$35.3m), Philippines (\$14.6m), and India (\$12.1m) had the highest levels of URB obligations. URB activities in these Missions primarily supported government decentralization by strengthening local governments' capacity to finance, manage, and deliver key services including water, electricity, and education.

In the AFR region, the largest URB obligations came from the Missions of Nigeria (\$25m), Kenya (\$17m) and the Africa Regional Program (\$30.3m). In Kenya and Nigeria, URB obligations largely supported government transparency and accountability, including free and fair elections, and strengthening the capacity of grassroots organizations to build a civil society. The Africa Regional Program contributed to a number of cross-cutting urban activities fostering an improved business environment for economic growth, and developing advanced communications technology through the Leland Initiative.

In the E&E region, the second most urbanized region after LAC, the largest proportion of the region's total URB obligations were accounted for by the Missions of Serbia (\$32.5m), Russia (\$28.6m), Armenia (\$27.7m), Montenegro (\$23.7m), and Georgia (\$23.4m). URB obligations in these Missions primarily aided countries during their transition to market economies by improving governance and creating an enabling environment for economic growth.

Table 2 - Missions Ranked by URB Obligations (\$millions)

1	Egypt	\$456.1	11	Montenegro	\$23.7
2	Jordan	\$156.1	12	Georgia	\$23.3
3	West Bank & Gaza	\$115.8	13	ANE Regional	\$23.1
4	Indonesia	\$35.3	14	FYR Macedonia	\$20.7
5	Serbia	\$32.5	15	Ukraine	\$18.9
6	AFR. Reg.	\$30.3	16	Colombia	\$17.1
7	Russia	\$28.6	17	Kenya	\$17.0
8	Armenia	\$27.7	18	Croatia	\$16.9
9	Bolivia	\$25.8	19	Kosovo	\$16.9
10	Nigeria	\$25.4	20	Peru	\$16.4

Table 2 ranks the 20 Missions with the most URB obligations.

Table 3 - FY '02 Obligations categorized by Urban Development for the Poor (URDP), Urban Impact (URB), and Non-URBAN

Region	Urban Impact (URB)		(+ Urban Development for the Poor (URDP) (=		URBAN (URDP+URB)		Non-URBAN		Total (URBAN + Non-URBAN)
	(\$m)	(%) of Total	(\$m)	(%) of Total	(\$m)	(%) of Total	(\$m)	(%) of Total	
LAC	\$114	16%	\$70	10%	\$184	26%	\$524	74%	\$708
AFR	\$222	23%	\$51	5%	\$273	28%	\$688	72%	\$959
ANE	\$862	46%	\$138	7%	\$1,000	53%	\$893	47%	\$1,894
E&E	\$329	31%	\$125	12%	\$454	43%	\$597	57%	\$1,050
Total	\$1,527	33%	\$383	8%	\$1,910	41%	\$2,702	59%	\$4,612



URBAN Obligations by Agency Goal Areas

Figure 4 illustrates the different levels of support in each region for the Agency's five goal areas. Below, the aims of each goal area and the URBAN obligations activities supported under each are explained. The goal areas are ranked below in descending order by the level of Agency URBAN investment in each.

1. Broad-based Economic Growth and Agricultural Development Encouraged

Programs under this goal area aim to reduce poverty, strengthen agricultural production, increase openness and reliance on private markets, and diminish dependence on foreign aid. In FY '02, URBAN programs and activities in this goal area supported policy and enterprise level assistance through the following activities:

- **economic policy reforms** that create an enabling environment for urban economic growth by strengthening banks and other financial institutions, global and regional trade and investment, and legal and institutional reform to safeguard investments and contracts
- **business development and job creation** through micro, small, and medium size enterprise development and creating urban markets for agricultural goods
- **infrastructure development and management** of advanced information technology, water and energy, and farm-to-market roads

URBAN Obligations: \$788m (41 percent of total)
Regional Breakdown: ANE (\$537m), E&E (\$168m), LAC (\$54m), AFR (\$29m)
Principal Missions: Egypt (\$59.9), Jordan (\$33.8m), West Bank & Gaza (\$11.7m), Georgia (\$17.5m), Kosovo (\$12.9m), and Russia (\$12.1m)

2. Democracy and Good Governance Strengthened

Programs under this goal area aim to improve citizen's overall freedom, strengthen the rule of law and human rights, create credible political processes, develop a politically active society, and create more transparent and accountable government institutions. Good governance and active stakeholder participation in political processes are key to successful urban management and planning. URBAN obligations in FY '02 supported this goal area through the following activities:

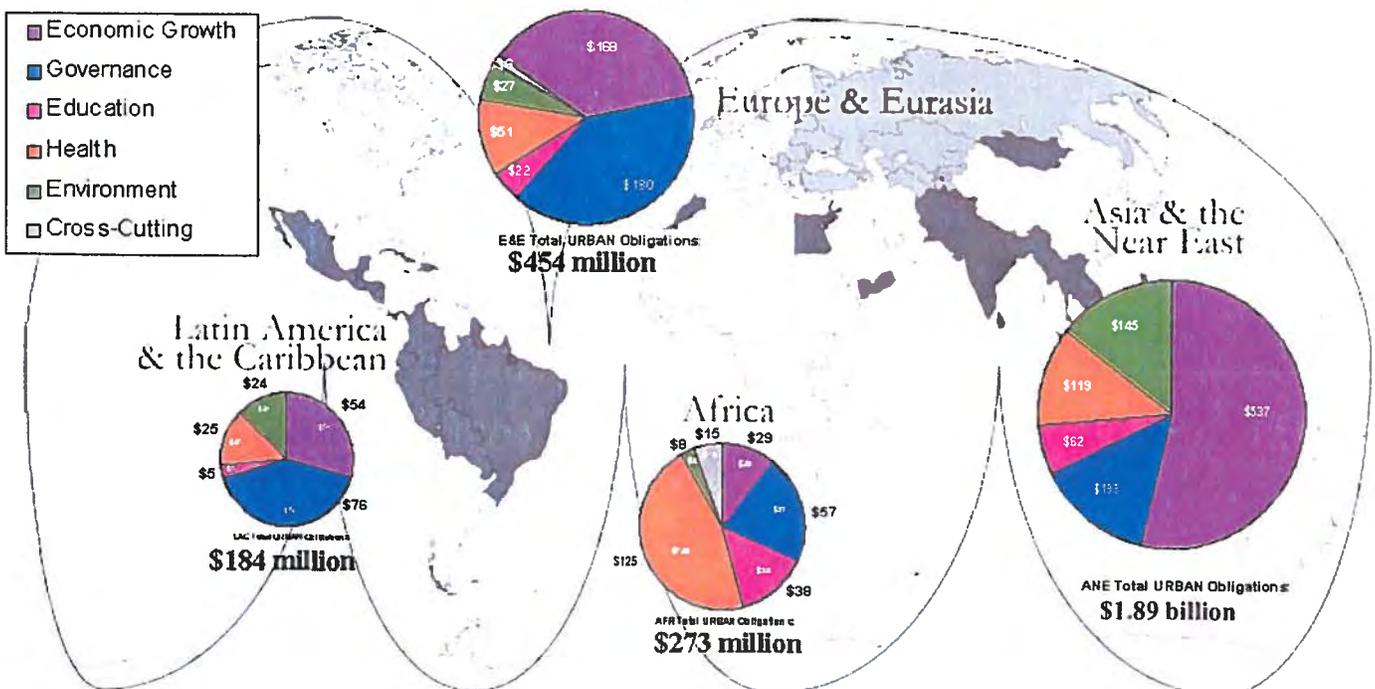
- **rule of law** by improving administration of justice, increasing citizens' access to justice, and strengthening human rights
- **elections and political processes** that are free and fair and voter education
- **improved governance** by facilitating democratic decentralization, anti-corruption, effective policy implementation, citizen participation, and service delivery provision and management
- **civil society** by strengthening non-governmental organizations and not-for-profits

URBAN Obligations: \$452m (24 percent of total)
Regional Breakdown: E&E (\$168m), ANE (\$138m), LAC (\$67m), AFR (\$57m)
Principal Missions: Serbia (\$27.7m), West Bank & Gaza (\$78.2m), Indonesia (\$25m), Ukraine (\$16m), Russia (\$15.3m), and Macedonia (\$13.9m).

3. World Population Stabilized and Human Health Protected

USAID aims to improve the long-term availability, efficiency, and quality of population, health, and nutrition services in presence countries. To accomplish this, the Agency supports research, policy dialogue, sector reform, systems strengthening, and capacity building. In FY '02 URBAN obligations to this goal area supported activities that increased the quality, access, and use of key health services in the following areas:

Figure 4 - FY '02 URBAN Obligations by Agency Goal Area





- **family-planning** for reducing unintended and mistimed pregnancies
- **child survival** to improve infant and child health and nutrition and reduce child mortality
- **maternal and reproductive health** to reduce deaths, nutrition insecurity, and adverse health outcomes to women as a result of pregnancy and childbirth
- **HIV/AIDS** to reduce transmissions and the impact of the pandemic
- **infectious diseases** to reduce the threat of major public health concern

URBAN Obligations: \$320m (17 percent of total)
Regional Breakdown: AFR (\$128m), ANE (\$119m), E&E (\$51m), LAC (\$25m)
Principal Missions: Jordan (\$20m), Egypt (\$18.5m), Indonesia (\$18.3m), Kenya (\$13.7m), India (\$13m), and West Bank & Gaza (\$12.4m)

4. The World's Environment Protected for Long-term Sustainability

USAID aims to protect the environment for long-term sustainable development, conserve biologically significant habitat, reduce the threat of global climate change, increase access to adequate environmental services, increase the use of environmentally sound energy, and manage natural resources sustainably. In FY '02 URBAN obligations to this goal area increased the capacity of local and national governments, NGOs, private enterprises, and citizen's groups to support these goals at the local and national level. URBAN activities included:

- **environmental standards** established to protect and improve communities' health
- **water supply, sanitation, and wastewater treatment** - development, management, and provision
- **pollution control** through better management and technologies that address industrial pollution, solid waste, and air pollution
- **land and natural resource management** with increased stakeholder involvement
- **slum upgrading** and provision of shelter

URBAN Obligations: \$203m (11 percent of total)
Regional Breakdown: ANE (\$145m), E&E (\$27m), LAC (\$24m), AFR (\$8m)
Principal Missions: Egypt (\$59.9m), Jordan (\$33.8m), India (\$12.9m), West Bank & Gaza (\$11.7m), Armenia (\$7.9m), and South Africa (\$6.9m)

5. Human Capacity Built Through Education and Training

USAID helps develop human capacity of presence countries by expanding access to basic education for underserved populations, especially girls and women, and enhance the contributions of higher education institutions to their development process. This is achieved by improving education policy, institutions, and education practices. In FY '02 URBAN obligations to this goal area supported the following activities:

- **basic education** - improving the availability, quality, and gender-equity of primary and secondary schooling and **adult literacy**
- **short and long-term training** for institutional capacity building
- **workforce development and higher education** that is market responsive and supports the populations involvement in the development process

URBAN Obligations: \$126m (7 percent of total)
Regional Breakdown: ANE (\$61.6m), AFR (\$38m), E&E (\$21.4m), LAC (\$5.4m)
Principal Missions: Egypt (\$46.1m), Africa Regional Program (\$11.9m), Mali (\$5.3m), Pakistan (\$5m), West Bank & Gaza (\$3.1m), and Uganda (\$2.6m)

6. Cross-Cutting

Some of USAID's Strategic Objectives support multi-sectoral programs that influence the social, economic and physical well-being of communities. These programs often centered around conflict mitigation or disaster relief. For this reason, this analysis has categorized SOs with URBAN obligations that are significantly linked to more than one goal area as "cross-cutting."

URBAN Obligations: \$21m (1 percent of total)
Regional Breakdown: AFR (\$15m), E&E (\$6m)
 Four Missions were categorized as cross-cutting: DR Congo (\$7.3m), Cyprus (\$6m), Sierra Leone (\$4m), and Burundi (\$3.3m)

Figure 4 - FY '02 URBAN Obligations Categorized by Agency Goal Area (\$millions)

Agency Goal Area	LAC	AFR	ANE	E&E	Total
Economic Growth	\$54	\$29	\$537	\$169	\$788
Governance	\$76	\$57	\$138	\$180	\$452
Health	\$25	\$125	\$119	\$51	\$320
Environment	\$24	\$8	\$145	\$27	\$203
Education	\$5	\$38	\$62	\$21	\$126
Cross Cutting	\$0	\$15	\$0	\$6	\$21
Total	\$184	\$272	\$1,000	\$454	\$1,910

Conclusion and Summary of Urban Obligations Analysis

Several conclusions can be drawn from this Agency-wide profile:

1. High levels of urbanization and rapid urban population growth rates across the four regions are irreversible.
2. Across all regions, the level of Agency investment in URDP, ranging from 5 to 12 percent of the regions' total obligations, does not reflect the growing needs of the urban poor as demonstrated by the prevalence of urban slums (30 percent or 868.9 million of the world's urban population) and the urban poverty level (30 percent or 128 million of the world's urban households).
3. Failing cities can undermine economies, as cities can account for large portions of a given nation's GDP and are important centers for education, employment, trade, growth of personal wealth, and social prosperity.
4. Greater emphasis needs to be placed on integrated urban management in order to provide for efficient development assistance and realize the positive benefits that accrue from well-managed cities.
5. The Agency is not sufficiently positioned to achieve its larger development objectives without directing greater programmatic attention and resources on the growing concentration of urban poverty.
6. Urban poverty income data is intermittent and disparate across USAID presence countries and regions. Measuring and tracking urban poverty should be a cross-sectoral research priority to better inform USAID development decisions.

End Notes

- 1 United Nations Population Division, World Urbanization Prospects: The 2001 Revision
- 2 UN-HABITAT, *Slums of the World: The Face of Urban Poverty in the New Millennium?*, 2003.

Definitions

- The term "obligations," rather than "expenditures," is used throughout this report. *Obligations* refer to funds appropriated by Congress and allocated by USAID in a particular fiscal year, while *expenditures* refer only to the proportion of allocated funds that have actually been spent. Expenditures and obligations for the same activity, therefore, may not be the same in any given fiscal year, as funds are only expended after allocations have been made.
- SOs are set for each operating unit within the Agency during its strategic planning process, and are used as guiding principles in the design and management of activities the program implements to achieve results.
- Urban poor are defined as those populations that experience the multi-dimensional aspects of poverty in urban areas, including, income poverty, health and education poverty, personal and tenure insecurity, and political disempowerment.
- For this study, "urban" is considered a generic term that refers to densely populated areas, which contain a unit of government and diverse economic activities.

Urban Obligations Analysis Methodology

The data for this study were taken from the FY 2004 Congressional Budget Justifications (CBJ), the most comprehensive data set available for tracking budget information for all Agency Missions and Strategic Objectives⁴. FY '02 obligations were used as they are the most recent "actual obligations" available. Based on the narrative contained in each Strategic Objective (SO), the following steps were taken:

1. Agency obligations were classified as either urban or non-urban.
2. Urban obligations were categorized into Urban Development for the Poor (URDP) or Urban Impact (URB), based upon a strict reading of the SO narratives contained in each CBJ.
3. The proportion of obligations in each SO that contributed to URDP or URB were fractionated.
4. URBAN obligations of each SO were assigned to one of the Agency's five goal areas or a "Cross-cutting" category which captured those SOs that contributed to more than one development goal.
5. Specific urban development activities were recorded for each urban SO and a summary was written.
6. The findings of the analysis performed in steps 1-5 were verified with Agency staff when possible and revisions were made when necessary.

Funding Sources

Analysis included all funded Bureau field missions and regional programs but did not include Pillar Bureau Programs, obligations to Israel, Cuba, a \$600 million cash transfer to Pakistan for Emergency Debt Relief. Funding sources analyzed did not include PL 480 Title II but did include all of the following by region:

ANE: DA, CSD, CSH, ESF, FSA, MAI, and DCA but did not include PL 480 Title II funds.

AFR: DA, CSD, CSH, ESF, DFA, and DCA but did not include PL 480 funds.

E&E: DA, CSD, CSH, ESF, AEEB, and FSA.

LAC: DA, ESF, CSD, CSH, and ACI but did not include PL 480 funds or Plan Colombia.

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