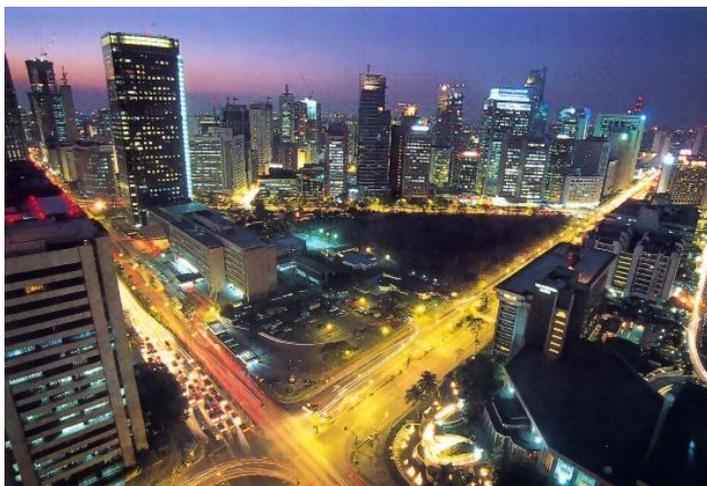


Chapter 1. INTRODUCTION

Sustainability and Philippine Cities

I. Background

1. In the last few years, the proportion of the world's people living in urban areas has edged past the halfway mark, and many of those not living in towns and cities have become more and more dependent upon urban centers for their economic, social, and political progress. As the numbers of urban dwellers continue to rise, the processes of urban development will have to be managed in a sustainable manner.



Makati City at night. Source: <http://www.marmeid.com/manila>

2. Well-managed urban growth and development can contribute not just to economic advancement but also to reduced poverty and improved quality of life for all citizens, including the poor. If badly managed, the urbanization process pollutes the environment, undermines the natural resource base, and may be associated with increased scale and depth of poverty. The economic and demographic growth of urban centers therefore has to take place within an environmental, social, and political framework conducive to the more equitable distribution of resources, both within the present generation and between present and future generations. Without sustainable urbanization, sustainable development cannot be achieved.

A. Sustainable Development at the Global Level

3. Sustainable development has been a global buzz-word for over three decades. The concept of achieving sustainable development originated from the 1972 Stockholm Conference on Human Environment. Fifteen years after, efforts to address the issues raised in the Stockholm Conference were prompted by the pioneering report of the World Commission on Environment and Development (or Brundtland Commission), entitled "*Our Common Future*". The Commission defined sustainable development as: "*meet[ing] the needs of the present without compromising the ability of future generations to meet their own needs*"¹. Succeeding global initiatives for achievement of sustainable development include:

- the 1992 Earth Summit in Rio De Janeiro, Brazil with the agreement of world leaders for an action agenda for sustainable development, known as Agenda 21; and,
- the establishment of the United Nations Commission for Sustainable Development (UNCSD) to coordinate the implementation of Agenda 21, and to further develop the principles and practice of sustainable development.

¹ World Commission on Environment and Development. "*Our Common Future*". Oxford, Great Britain: Oxford University Press, page 8. 1987. Report/Commission is commonly called the Brundtland Report/Brundtland Commission after Gro Harlem Brundtland, Chairman of the Commission.

4. In September 2000, world leaders convened at the UN Millennium Summit to commit their nations to the Millennium Declaration, which upholds the following objective: strengthen global efforts for peace, human right, democracy, strong governance, environmental sustainability and poverty eradication, with special focus on promotion of human dignity, equality and equity. With this declaration, the United Nations' Millennium Development Goals (MDGs) were promoted. Table 1.1 shows the eight goals and the respective targets identified to achieve the objectives of the Millennium Declaration.

Table 1.1 U.N. Millennium Development Goals

GOALS	TARGETS
Goal No. 1: eradicate extreme poverty and hunger	* proportion of people whose income is less than US\$1 per day * halve proportion of people who suffer from hunger
Goal No. 2: achieve universal primary education	* ensure that boys and girls will be able to complete a full course of primary schooling
Goal No. 3: promote gender equality and empower women	* eliminate gender disparity in primary and secondary education by 2005 and all levels of education by 2015
Goal No. 4: reduce child mortality	* reduce mortality rate among children under five years old by two-thirds
Goal No. 5: improve maternal health	* reduce maternal mortality ratio by three-fourths
Goal No. 6: combat HIV/AIDS, malaria and other diseases	* have halted and begun to reverse spread of HIV/AIDS
	* have halted and begun to reverse incidence of malaria and other major diseases
Goal No. 7: ensure of environmental sustainability	* integrate principles of sustainable development into country policies and programs and reverse loss of environmental resources
	* halve proportion of people without sustainable access to safe drinking water
	* have achieved a significant improvement in lives of at least 100 million slum dwellers
Goal No. 8: develop a global partnership for development	* develop further an open, rule-based, predictable, non-discriminatory trading and financial system
	* address the special needs of the least developed countries
	* address the special needs of landlocked countries and small island developing states
	* deal comprehensively with the debt problems of developing countries through national and international measures
	* In cooperation with developing countries, develop and implement strategies for decent and productive work for youth
	* in cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries
	* in cooperation with the private sector, make available the benefits of new technologies especially in information and communication

Source: United Nations Development Programme (UNDP), *Human Development Report 2003 "Millennium Development Goals: A Compact Among Nations to End Human Poverty"*. New York: Oxford University Press, Inc., 2003.

B. Sustainable Development at the National Level

5. At the national level, the country's demonstration of support and commitment to the Agenda 21 translated through: (1) the country's creation of the Philippine Council for Sustainable Development (PCSD) in 1992, making the Philippines the first country to create a national council for sustainable development; and, (2) the formulation of Philippine Agenda 21 (PA 21) – the country's highest framework for development, where all government

agencies are directed through Memorandum Order No. 399 of 26 September 1996 to review their policies, plans and programs, and realign these with PA 21. PA 21 encompasses seven dimensions (i.e. economic, political, cultural, social, ecological, human and spiritual).

6. In preparation for the Johannesburg Summit in 2002, the implementation of PA 21 was reviewed in 19 August 2000 with the issuance of Memorandum Order 110 by the President of the Philippines. Upon reviewing PA 21, two major challenges were identified: (1) provide practical understanding of sustainable development, and (2) formulate a more effective implementation strategy that will enable the PCSD to deliver more substantive results. Given the outcome of the PA 21 review, the PCSD drafted the Enhanced PA 21 in 2004.

C. Sustainable Development at the Local Level

7. A chapter in Agenda 21 was devoted to the localization of this action agenda (i.e. “Local Authorities’ Activities in Support of Agenda 21”), and such initiative is referred to as the Local Agenda 21 (LA 21), which is the local counterpart of Agenda 21. According to the Local Agenda 21 Planning Guide, the local level always has three distinct development processes: economic, community and ecological developments (see *Figure 1.1*), and that each process has its own unique characteristics as described by the imperatives. The uniqueness of each development process ensues to contradiction, and that the sustainable development challenge was bringing these processes into a balance, as represented by the acronym “SD” (which stands for sustainable development) inside the section where all three processes overlapped.

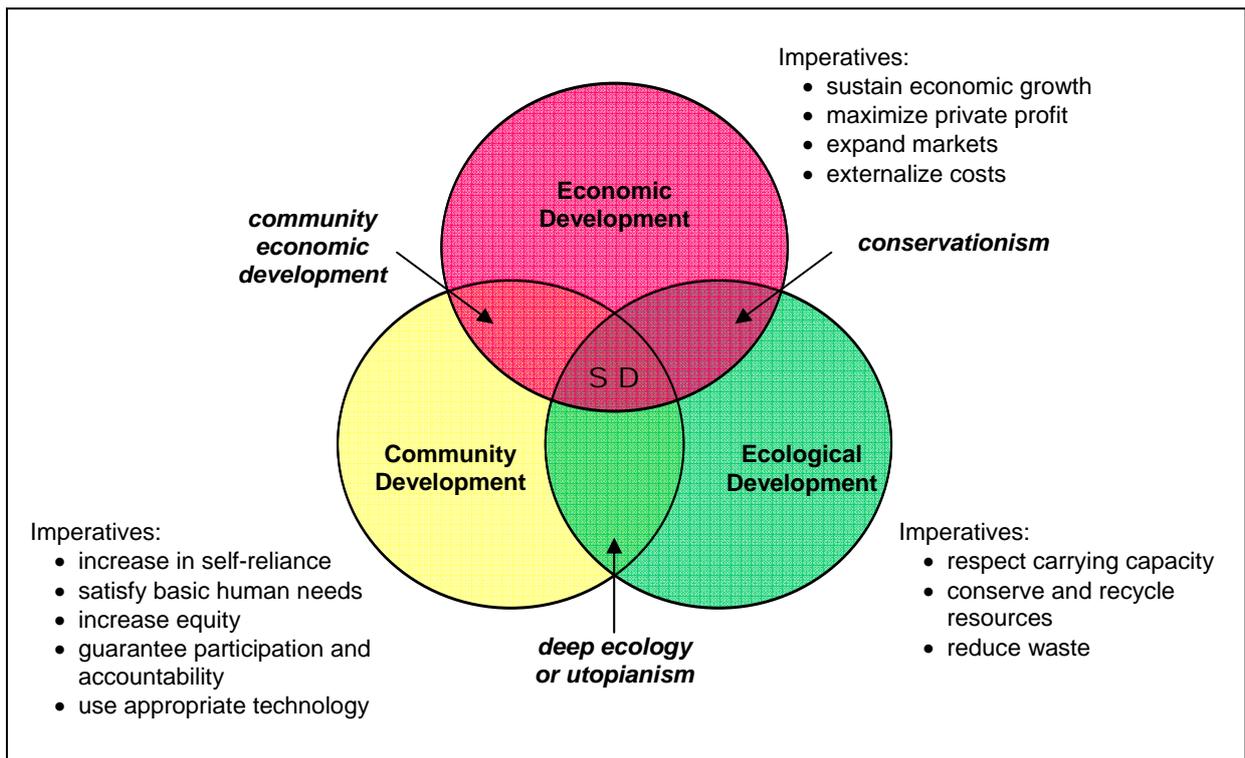
8. On a more specific level, in July 2000, the Urban 21 Conference in Berlin developed the definition of sustainable urban development as: “Improving the quality of life in a city, including ecological, cultural, political, institutional, social and economic components without leaving a burden on the future generations, a burden which is the result of a reduced natural capital and an excessive local debt”. Sustainable urbanization is a dynamic, multi-dimensional process. It embraces relationships between all human settlements, from small towns to metropolises, as well as between urban centers and their surrounding rural areas. Most crucially, it includes not only environmental but also social, economic and political-institutional sustainability. Sustainable urbanization, therefore, requires all aspects of sustainability to be addressed, within the context of the opportunities and challenges posed by the massive scale of urbanization.

9. To move towards sustainable urbanization, it will be necessary to learn from recent experiences and to develop and operationalize new ideas and approaches to address a wide range of concerns. While there are clear general principles, and increasing evidence of approaches which are successful in a variety of circumstances, priorities vary among countries and urban centers. To be appropriate, these approaches will have to be tailored to local circumstances. No one model can fit all towns, cities, and metropolises.

10. Moving towards more sustainable urbanization will require the involvement and commitment of a wide range of stakeholders: local governments, local communities and civil society, the private sector, national governments, and international agencies.

11. However, until now, societies continue to attempt to achieve sustainable development. Clearly, sustainable development cannot be achieved only from the international and/or national level. Achieving the balance between conservationism, utopianism and community economic development is a major challenge and one that requires a high degree of participation from local stakeholders.

Figure 1.1 The Sustainable Development Challenge



Source: Figure adapted from International Council for Local Environmental Initiatives (ICLEI) and International Development Research Centre (IDRC). *The Local Agenda 21 Planning Guide*. Toronto: The International Council for Local Environmental Initiatives. 1996 (figure generated by the author)

D. Basis and Rationale of the SPC 2030 Publication

12. This publication looks into the challenges and opportunities posed by urbanization with the view to broaden the ways in which we think about sustainable development and the means by which we seek to achieve it. It looks at the scale and pattern of the urbanization process, and discusses some of the recent experiences, ideas and approaches to address a range of sustainability concerns. It also outlines the roles that actors at all levels – from the local to the international – can play in enhancing the contribution of towns and cities to sustainable development. There are 10 thematic chapters in this publication prepared by various organizations who share the common vision in achieving sustainable Philippine cities. Each chapter was assigned a convener who took charge of the preparation of the draft with the assistance of members of their respective organizations and networks.

13. Each chapter discusses the brief background of the sector/theme, describes the current status and trends, identifies critical issues, challenges and opportunities, and makes recommendations to address the issues identified.

- Chapter 2, Urban Economy, discusses the ecological economics of sustainable ekistic formation in the country.
- Chapter 3, Urban Society, looks into the themes in the sustainability of Philippine cities as living systems.
- Chapter 4, Urban Basic Services, covers health, education, safety and disaster mitigation, and information and communications technology.
- Chapter 5, Urban Forms and Settlement Patterns, talks about the relationship between community design, movement network, lot layout, public parks and open spaces, and utilities.

- Chapter 6, Urban Shelter, looks at the shelter situation in the country amidst rapid urbanization.
- Chapter 7, Urban Transport, discusses the state of transportation systems in the country, as well as the socio-economic and environmental impacts of the sector.
- Chapter 8, Water Supply and Sanitation, looks into water management and service delivery.
- Chapter 9, Building Design and Management, focuses on how green building design and management can be adopted in the Philippine setting.
- Chapter 10, Energy, explores sustainable energy development and consumption.
- Chapter 11 Urban Governance, discusses decentralization of functions; equity of access to decision-making; efficiency in service delivery; transparency and accountability of decision-makers and stakeholders; civic engagement; and security of individuals.

14. The general outline of this publication was inspired by various documents and reports, among them: *Sustainable Cities* by the Commonwealth of Australia (Canberra, August 2005); *The Local Agenda 21 Planning Guide* of the International Council for Local Environmental Initiatives (Toronto, 1996); and the *Local Government Code*. The *Local Government Code* specifically states the required services and facilities in cities, and thus, this list serves as a guide in the preparation of the chapters (see *Table 1.2*).

Table 1.2 Required Services and Facilities in Cities by the Local Government Code

Services and Facilities ²
Adequate communication and transport facilities Support for education, police and fire services Agricultural and Fisheries Extension and Research Industrial research and development service Community-based forestry projects Health Services Social Welfare Services Information Services Environmental Services (solid waste disposal, general hygiene and sanitation) Municipal/Provincial buildings, cultural centers, public parks, playgrounds, sports facilities and equipment, and other similar facilities Infrastructure facilities intended to service community needs Programs/Projects for low cost housing/mass dwellings Investment support services and access to credit facilities Public markets, slaughterhouses and other municipal enterprises Upgrading and modernization via computerization of tax information and collection Adequate communication and transportation facilities Inter-municipal communications services subject to national policy guidelines Public cemetery Tourism facilities; tourism development and promotion programs Sites for police and fire stations and substations, and municipal jail

Source: Section 17 of Republic Act 7160

15. Cities were chosen as the focus of the publication because they reflect the problems resulting from unmanaged urban development, such as: rapid increase of population; widening deficit in per capita resources; pollution and cultural loss; to name a few. However, cities also embody the positive characteristics of urbanization, namely: source of income and employment; access to services and facilities; and simply a venue for a higher degree of self-actualization. In the Philippines, cities' share of the combined total income of all local government units (cities, municipalities and provinces) averaged 41% in 2004 I. In addition, cities' share to total local source income averaged 67% on the same year, and has an

² Services and Facilities listed are categories which include related services (see *Local Government Code of 1991*).

average IRA dependency ratio of only 47%. Cities can very well be described as engines of growth and agents of change, thus, it is only fitting that a publication promoting sustainable development, such as this, will center on them.

Table 1.3 Comparative Analysis of Total Income, Local Source Income and IRA Dependency Ratio of Cities, Municipalities and Provinces, 2004

LGU Level	% Share of Total Income	% Share of Local Source Income	IRA Dependency Ratio
Cities	41%	67%	47%
Municipalities	36%	22%	80%
Provinces	23%	11%	85%

Source: *Statement of Income and Expenditures*, Bureau of Local Government Finance.

16. However, discussions in this publication as well as use of this material are not limited to cities. Other urban and urbanizing areas will also find this publication helpful in the management of economic, social and environmental developments in their localities.

II. The Process and Patterns of Urbanization

17. Urbanization is the process through which cities and towns develop and grow. It includes the movement of people from rural areas to urban areas as well as movements among towns and cities. It also encompasses the development of urban economies and urban social and political systems. Urbanization viewed as a process is thus concerned not just with individual cities but with systems of cities, with linkages between urban places, and with interactions between them and the countryside.

18. In historical perspective, the world has become steadily more 'urban' and less 'rural'. Indeed, the process we now call development is very closely correlated with urbanization. Individual cities or groups of cities may flourish and grow, or sometimes may falter and decline. Equally, individual cities change and transform themselves as urbanization proceeds. Nevertheless, the broad picture is clear: As the world develops, the number and size of urban places will continue to grow.

19. Urbanization is a response to economic, social and political forces, but the specific ways in which urban settlements develop and grow change under the influence of new factors. Globalization, democratization, new information and communication technology, economic transformation, social and cultural changes – all of these are strongly influencing the pattern of urbanization in this century. Equally, the sheer scale of urban growth is changing the nature of urban settlements.

20. The location and size of urban centers has always responded to changes in technology and cost of transport and communications, but the rapid technological advances of recent years are enabling cities (even in poor countries) to grow at relatively low densities even further into the surrounding countryside. Given the scale of urban growth that needs to be accommodated, rural land is rapidly being converted into urban. This is an alarming trend because the areas surrounding cities are often high quality agricultural land or have important ecological uses. This trend is exacerbated in many middle- and low-income countries by the inability of tenure registration, land use planning, and development regulation systems to keep pace with the demand for land for urban use.

21. As cities increase in size, 'metropolitanization' becomes a progressively more dominant mode of urbanization. It takes different forms in different places. It may refer to a

densely settled city region in which villagers commute to work in the nearby city but where many production and service activities are located in the villages, while intensive agricultural activities continue in the interstices between urban settlements. It may also refer to the stagnant or declining population and economic base of a core city when demographic and economic growth shifts to nearby secondary cities because diseconomies of congestion are experienced in the core. Alternatively, it may refer to the development of interlinked systems of cities, as manufacturing, assembly and other activities seek out lower cost locations.

22. Changes in the organization of economic activity, coupled with changes in transport and telecommunications and expectations of an improved quality of life, give rise to diverse pressures on the urban built environment. In the mature cities of Europe and North America, facing little aggregate growth, the need for regeneration and renewal now takes priority; changing family and social structures generate changing demands for new dwellings; and modernizing economic activities seek a variety of specialized locations, often outside congested city cores. In the cities of developing countries, the need to accommodate rapid growth, provide essential infrastructure, deal with rapidly deteriorating physical environments, and improve shelter opportunities, especially for the poor, is urgent.

23. Whatever the pattern of urbanization, activities in urban settlements are inextricably linked to those in rural areas, while many people's lives straddle both urban and rural areas. For instance, urban settlements provide markets for rural produce – food, industrial raw materials, fuel, etc. – as well as many of the services needed by rural population, such as financial services, farm inputs, and health care. On the other hand, the extraction of resources and disposal of urban wastes can adversely affect rural areas both close to and far away from cities. These inter-linkages underlie many of the challenges to achieving sustainable urbanization.

III. The Challenges of Sustainable Cities

24. Some of the most serious challenges of sustainable urbanization include issues of economic sustainability and poverty reduction, environmental degradation, social injustice and exclusion, and failures of governance.

A. The Challenge of Economic Sustainability



A typical variety store. Source: <http://www.hagonoy.com>

25. There is a strong link between urbanization and national levels of economic and human development: urban population as a share of total national population is above 70% in countries with highly developed economies and in those with a high Human Development Index. Goods and services are generally produced more efficiently in densely populated areas that provide access to a pool of labor with appropriate skills, supporting services, transport and communication links, and a critical mass of customers. The attractive qualities are associated with urban areas, with the result that, as countries develop, urban settlements

account for an ever-increasing share of national income: they generate 55% of GNP in low-income countries, 73% in middle and 85% in high-income economies. It is this economic

growth which provides the basis on which cities can build infrastructure, provide social, health and educational facilities, and generate income-earning opportunities for the urban poor. Conversely, in the absence of a healthy urban economy, it will not be possible to provide these things, certainly not on a sustainable basis.

26. The economic functions of cities and towns are diverse, and although dynamic ‘world cities’ may attract the greatest publicity, the majority of the world’s urban population will continue to live in other urban places. Often small- and medium-sized, these cities and towns will generally continue to have locally or nationally oriented economies, even though global economic influences will be substantial. For this reason, attention should be focused not just on how urban areas can compete globally, but also on how they can best develop diversified and healthy economies within their national contexts.

27. The larger cities have important economic advantages. However, in many countries a disproportionate amount of public investment, especially in infrastructure, appears to go to the very biggest cities – particularly where these are national capitals. Public investment in roads and transport, communications facilities, sewerage and drainage, water supply, tertiary education, etc. is often heavily concentrated in larger cities. Its relative absence in small- and medium-sized urban centers is a constraint on economic development, discouraging private investment and making urban activities in general less efficient and productive. Efforts to ‘decentralize’ economic activities into such settlements by administrative means are unlikely to succeed, however, unless the cities and towns offer viable economic locations, supported by investments in infrastructure and public facilities and by financial and institutional strengthening of local governments.

28. Economic growth is unsatisfactory if it is accompanied by continuing or increased inequity and poverty, not least because low levels of education and health care provision or social disruptions have an adverse effect on economic development. Urban poverty is growing in scale and extent; it is characterized not only by material deprivation (low incomes and low levels of consumption) but also by squalid living conditions and lack of access to opportunities and services. One of the dilemmas is that policies designed to encourage investment and achieve economic growth do not necessarily result in economic opportunities accessible to the poor and may exacerbate poverty, even while expanding the economy overall.

29. For example, the organizational arrangements for improving the provision of infrastructure and services were subject to some radical rethinking in the 1990s, including commercialization (increased cost recovery), competition, a reduced role for the public sector, and increased private and community participation. While confirming the important potential gains from such reforms, experience has also highlighted some of the obstacles, such as limited public sector capacity to regulate private provision; absence of effective competition; reluctance to recognize the potential contribution of small and informal operators and especially of communities; poorly developed operational capacities in the domestic private sector; political interference and lack of transparency and accountability. Although commercialization of urban services to achieve improved provision of these services and financial sustainability may be necessary for the city as a whole, providers may be uninterested in extending provision to the areas where poor people live, and increased charges may make the improved services unaffordable to lower income residents. In addition, regulations that protect or favor formal sector businesses and restrict informal economic activities reduce the economic opportunities available to the poor.

30. It has sometimes been argued that size itself is important, with assertions that cities can grow ‘too large’, becoming economically costly, socially unsustainable, unmanageable and environmentally damaging. The evidence, however, suggests that this is not the case, certainly with respect to economic variables (productivity, efficiency, output). Indeed, the

continued concentration of manufacturing and services in large cities demonstrates that the economic advantages exceed the additional costs of highly priced urban land, higher wage levels, and increased congestion. These benefits are also perceived by individuals and households, as shown by the numerous failed attempts to curtail rural-urban migration and halt the growth of large cities. The criticism of being 'unmanageable' unfortunately applies to all cities and is related not to size *per se*, but to political and governance failures. Similarly, economic growth can result in environmental degradation in cities of all sizes, posing the second major set of challenges to sustainable urbanization.

B. Environmental Impacts and Challenges

31. All human settlements use natural resources (food, construction materials, raw materials for industry, energy, water, air and land) which they consume, process, transport, and from which they subsequently generate waste. Urban production often has adverse environmental impacts, the full economic and social costs of which are unequally distributed and often ignored.

32. The environmental conditions *within* human settlements are a central concern, particularly because of the strong links between poverty and the environment. The United Nations identified three key poverty-environment linkages through health, livelihoods and vulnerability. These linkages are clearly seen in urban areas, as the poor are most severely affected by inadequate urban environmental services, particularly a lack of sanitation, drainage, waste collection, and adequate supplies of drinking water, and often live and work in hazardous locations. The health impacts of such service deficiencies contribute significantly to the disease burden of the poor, particularly women and children. The population density (and poor layout) of low-income areas, especially informal settlements and slums, exacerbates the situation, creating conditions in which infectious and parasitic diseases spread more readily.

33. Pollution and the generation of wastes from industry is a serious problem in most urban centers – and a grave problem in most developing countries, where rapid urbanization is typically accompanied by rapid urban industrialization. Heavy polluting industry is prevalent in many cities of the developing world, as are small-scale industries that are difficult to regulate. Growing vehicle emissions make a major and rapidly growing contribution to air pollution. Air, water and soil pollution, in turn, raise the costs of doing business, as does a high incidence of diseases.



Cherry Hills Landslide in Antipolo City.

Source: <http://www.inq7.net>

(photo by: Edwin Bacasmas)

34. Sustainable urbanization highlights the linkages between urban and rural areas, which have numerous environmental dimensions. The flow of water, food, raw materials, energy, etc. from non-urban to urban areas has important implications for the ecology of both the originating and the receiving areas. The disposal or impact of urban wastes (solid wastes, air and water pollution) in peri-urban and rural areas and beyond is also significant. Existing policy frameworks are often inadequate to deal with these issues because they are sectorally fragmented and do not apply to the broader regional context, encompassing both urban and rural areas.

35. There are also crucial international or global environmental issues which are related to the process of urbanization. Emissions of 'greenhouse gases' which contribute to global warming are predominantly from urban sources (industry, heating, motor vehicles), and the

way in which urbanization is managed significantly affects the type and quantity of such emissions. Sewage disposal from cities is the principal source of pollution in lakes and coastal seas, yet proper treatment of sewerage is not always achieved in cities in richer countries and is seriously inadequate (or non-existent) in most cities of the developing world.

36. The sustainable, equitable and efficient provision of environmental goods and services is an enormous task, with ecological, social, economic and governance implications. The planning and management of environmental goods and services is often inadequate, resulting in services which are both deficient and inequitable in terms of cost and physical access. As a result, not only are infrastructure and services inadequate in many towns and cities, but also environmental degradation is worsening and the wider ecological implications of urban development are not being handled well.

C. The Challenges of Social Injustice, Inequality and Exclusion

37. While urban centers clearly have a major role to play in economic development, they are also characterized by rapid social changes which may have adverse consequences. Such changes are associated with not only the shifting composition of urban populations, but also the lack of economic opportunities for all and the lack of political voice. The social dimension of sustainable development has often, however, been less well-defined than the environmental and economic dimensions.

38. A study commissioned by the World Bank in preparation for the World Summit on Sustainable Development (WSSD) explored the meaning and implications of *socially sustainable development*. The authors identified four areas of social objectives and processes that are core elements of socially sustainable development, namely: social justice; solidarity; participation, social inclusion and diversity; and security, resilience and adaptability.



Beggar on the street.

Source: http://my_sarisari_store.typepad.com

(photo by: Sidney Snoeck)

39. In practice, social *injustice* and inequality are widespread in societies worldwide, not least in urban settlements: Residents have unequal access to political power, as well as to urban land, housing and services. In the face of the difficulties experienced by middle and low-income residents in obtaining plots or dwellings through the formal market or government systems, they have resorted to living in informal settlements, sometimes in unsuitable locations and always with inadequate services. *Solidarity* is used as a broader term than *social capital*, reflecting the “instrumental and the intrinsic value” of social institutions and relationships. In an urban setting, traditional social networks may break down because of migration and changing lifestyles. Although new networks are formed, these do not always provide the social support residents need and some, such as gangs, may be socially disruptive and even criminal. Civil society organizations have a particularly important role to play in facilitating the maintenance and development of social networks, supporting citizens’ groups and educating residents on their political rights. In some countries they are particularly well developed in urban areas.

40. Everywhere, some groups are excluded from economic opportunities, as well as from urban politics, access to services, and supportive social networks. Such exclusion may occur along religious, ethnic or gender lines. Often policies and administrative practices do not recognize gender, age and cultural diversity, resulting in discrimination and exclusion.

Lack of political voice and non-participatory approaches to policy formulation, planning and project design exacerbate the problem.

41. In poverty assessments in many countries, security has emerged as a critical concern for poor people. In urban areas, the issue has a number of dimensions: livelihood insecurity, tenure insecurity, and the physical insecurity associated with high levels of crime and violence are particularly important. Livelihood insecurity arises from the reliance of many poor people on casual work of informal sector activities, which are also vulnerable to disruption by the actions of public sector agencies. Urban-rural links play an important role in the strategies people adopt to increase the security of their livelihoods. Some of the economic dimensions of such links have been mentioned above, but their social dimensions, such as maintaining family and traditional support networks, are equally important. Remittances to rural households enable family members there to improve their life chances through education and income generation. Links to people living in urban areas may provide seasonal urban work to supplement income or subsistence from agriculture. Policies which may make it difficult for families to sustain such links adversely affect the security of their livelihoods.

42. The security of the poor, in particular, is affected by their *health* status, which influences both their ability to work and the cost of health care. The HIV/AIDS pandemic has particular implications for sustainable urbanization. These include loss of household income, exclusion from social and health services, and the disintegration of social cohesion (including the rising number of orphans). Insecurity is exacerbated by *insecurity of tenure*, with respect to both land and accommodation. Many of the urban poor face the threat of eviction or struggle with a lack of clear rights, even to shelter which they have provided for themselves. The absence of secure tenure and a high degree of homelessness among people with HIV/AIDS increases their vulnerability and reduces their chances of adequate care and treatment. Often, poor people are forced to build on land unsuitable for housing and vulnerable to floods or landslides, which worsens their insecurity. Finally, *crime and violence* are common problems in towns and cities.

43. Although rising levels of physical insecurity may affect everyone, the urban poor and women and children are particularly vulnerable. Neither individual threats to household security nor the relationship between them are adequately addressed by current policies and practices, in large part because of governance failures.

D. The Challenge of Urban Governance

44. Economically, socially and environmentally sustainable urbanization cannot be achieved without *governance* arrangements that can help to realize the economic potential of towns and cities, achieve social justice and welfare, and reduce the environmentally damaging effects of urban growth.

45. The important political changes in the last 15 years, particularly increasing democratization and steady, if uneven, improvement in human rights, have largely originated within, and have been led from, the cities. These political developments are closely connected to economic and social changes, and are strong influences on the progress of urbanization. Unfortunately, in most parts of the world, the political and administrative structures for local government have not changed or modernized sufficiently to keep up with rapid social and economic change, and they typically lack the legislative authority, financial resources or managerial capacities which are now required. Basically, most local governments are ill-equipped to handle urbanization.

46. Multi-party representative democracy is the most commonly adopted political system. However, while such systems increase the scope for residents to exercise political

voice, there are limitations on their capacity to adequately represent all, especially the poor and marginalized, and to provide opportunities for the day-to-day practice of active citizenship. One of the challenges of political sustainability, then, is to develop more diverse and pluralistic political mechanisms as well as more effective and extensive opportunities for participation, representation and accountability.

47. Political and administrative decentralization is expected to increase the responsiveness of the public sector agencies to local priorities, while enhancing their effectiveness by fostering cooperation between local governments and sectoral agencies. However, democratization, far from providing the poor with political influence, may consolidate or increase the power of local elites and the voice of middle income groups, who are not necessarily interested in either equity or poverty reduction. Also, reluctance by central government to devolve powers and resources to match responsibilities reduces the capacity of local governments to operate efficiently and responsively. The challenge is to operationalize democratic decentralization, particularly in the face of resistance by central government politicians and agencies and the lack of financial and managerial capacity at the local level.

48. A significant barrier to both democratic decentralization and sustainable urbanization lies in the general lack of planning, implementation and management capacities on the part of local governments and their partners. To be effective, reallocation of responsibilities to elected local governments (decentralization) should be accompanied by improvements in their managerial capabilities and financial base. However, local governments have commonly been neglected and marginalized by central government. Moreover, the lowly status of local governments, and poor pay and conditions of service have deterred qualified and experienced professionals from local government employment.

49. In addition, central government departments resist efforts to decentralize taxation powers and other revenue sources and are reluctant to remove restrictions on borrowings by local authorities to give them more financial flexibility. Locally, there is often considerable opposition to pricing infrastructure and services on a more sustainable cost-recovery basis, primarily from those who benefit from the existing system: professionals with entrenched views about how to operate services; politicians who use unsustainable service provisions to attract votes in the short term; public sector trade unions fearful of job losses; consumers who are not convinced that increased charges will be followed by improved services; and the poor and their supporters who are concerned that increased prices will reduce their access to services.

50. Furthermore, many of the environmental, social and economic problems of human settlements in developing countries derive from or are exacerbated by the lack (or ineffectiveness) of urban development planning. Efforts to implement detailed control over land use, especially through static and outdated 'master plan' approaches, have almost universally failed, except in some wealthy countries with highly developed political-administrative systems.

E. The Challenge of Rural-Urban Interdependence

51. Urbanization is viewed by some as a negative force, siphoning private and public resources from rural into urban areas, leaving the former impoverished and fuelling out-migration. Others, however, view urbanization as a progressive force underlying technical innovation, economic development, and socio-political progress. These contrasting perceptions have influenced policy, with investments in urban and rural areas seen as mutually exclusive and competing. Increasingly, however, this polarization is recognized as artificial. Urban areas are not the 'cause' of rural decline; loss of agricultural jobs has everywhere been a feature of modernization, and utilization of surplus rural labor in other

(usually urban) activities is a prerequisite for raising rural incomes and living standards. Equally, it is clear that the concentration of human, technical and financial resources in cities has become an increasingly important asset in the more internationalized world economy of today. Most importantly, it can be seen that rural and urban areas are intimately linked and if sensibly planned and managed, could be complementary to one another.

52. Urban markets potentially provide a powerful incentive for (and support to) increased rural production, while expanding rural markets can provide an equally powerful incentive for increased urban production of goods and services. However, past policies on pricing and marketing and under-investment in infrastructure have inhibited the realization of this potential. For instance, subsidized food and utility prices for urban populations favored urban production over agriculture. In addition, price controls and/or government commodity purchasing monopolies were disincentives for increased rural productivity and reduced rural incomes, fuelling out-migration.

53. Economic reform policies in the 1980s and 1990s were specifically designed to eliminate such harmful distortions, although getting the right balance in policies that affect the rural-urban terms of trade continues to pose economic and political difficulties. Both under-investment in infrastructure (especially maintenance) and investment biased towards the larger cities hinder the development of trading links between urban and rural areas. Impediments limiting the ability of rural producers to get commodities (especially perishable agricultural produce) to market and of urban providers to make business and social services available to rural populations (especially the poor) undermine rural and urban economic development and poverty reduction alike. Developing and maintaining transport, electricity and telecommunications networks continue to pose challenges, especially for heavily indebted poor countries.

IV. Recommendations

A. Promoting and Managing Sustainable Urbanization

54. The key challenge of sustainable urbanization is to achieve the crucial contribution which urban settlements can make to economic, environmental and social sustainability at local, national and global levels. Drawing on the growing stock of experience from around Asia, some of the main priorities and actions for promoting and managing sustainable urbanization are identified in this section, taking rural-urban interdependence into account throughout.

1. Priorities and Actions for Economic Sustainability in Towns and Cities

55. Local economic development strategies in urban settlements work best when focused on developing the basic conditions needed for the efficient operation of economic enterprises, both large and small scale. These include:

- reliable infrastructure and services, including water supply, waste management, transport, communications and energy supply;
- access to land or premises in appropriate locations with secure tenure;
- financial institutions and markets capable of mobilizing investment and credit;
- a healthy, educated workforce with appropriate skills;
- a legal system which ensures competition, accountability and property rights;
- and,

- appropriate regulatory frameworks which define and enforce non-discriminatory and locally appropriate minimum standards for the provision of safe and healthy workplaces and the treatment and handling of wastes and emissions.

56. In a competitive global economy, most towns and cities are unlikely to attract large-scale international investment; in any case, reliance on a limited number of investors (domestic or foreign) increases vulnerability to economic shocks. Hence, local economic development strategies need to focus on developing diversified urban economies which complement the economies of their surrounding rural areas and which can recover from shocks and adapt to economic trends. Although many of the influences on economic development may be beyond the control of local, or even national, governments, a variety of actions can nevertheless be taken to foster urban economic development (see *Box 1.1*).

**Box 1.1 Fostering Local Economic Development:
Province of Bohol, Philippines**

Bohol is the second most populous province in the Central Visayas Region of the Philippines, with almost a million residents, representing 20% of the region's total. In the mid-1990s, it was noted that a large number of residents leave the province to look for job opportunities elsewhere since there were not many available in the area. Unemployment was high at almost 15% due to the small number of industries that could absorb the unemployed labor force in the province. Faced with this situation, the Provincial Government of Bohol embarked on the Bohol Investment Promotion Program with the aim of generating investment opportunities for its residents. Through a series of public consultations, the program determined the type of investments preferred by the local communities, the private sector and local governments.

Three sectors were identified as primary growth areas, namely: ecological tourism, agro-industrialization, and light manufacturing. Focusing on these growth areas, strategic private and public investment projects were defined. To institutionalize and implement the program, the Bohol Investment Promotion Center was created in 1999. With the participation of stakeholders, various plans and programs were developed, including the Bohol Investment Code.

In 2000, seven local governments, 19 investors, 25 provincial leaders, and about 5,000 prospective employment beneficiaries have benefited from the program, including five NGOs and 137 local business operators. In 2001, the program had generated a total investment of some ₱2.5 Billion and about 3,000 new jobs. The success of the program proves the importance of strong collaboration between government, the private business sector and local community as a primary strategy for local economic development.

Source: Department of Interior and Local Government (2000) *"The Bohol Investment Promotion Program"*. in *Innovations Magazine*. Manila. p.51-55.

57. For urban and rural producers to respond effectively to demand for goods and services, rural and urban areas need good interconnections, including transport and telecommunications networks, as well as essential services, such as electricity and water. The terms of trade between rural and urban areas should not favor one over the other, and although getting the right policies is difficult, governments today much more than in the past are aware of the potentially adverse effects of inappropriate policies.

58. Recent experience has demonstrated that there is considerable scope for improving the provision of infrastructure and services through public-private partnerships, privatization and commercialization, selective out-sourcing, and passing over more responsibilities to

local communities. If properly organized, with genuine competition, sensible market pressures, consumer sovereignty, and intelligent monitoring and oversight, then significant benefits – to urban businesses and citizens and to the public finances alike – can be gained.

59. There is also scope for increased use of user charges, which experience has shown can be introduced even in low-income communities if they are organized and managed on a transparent and participatory basis, and if increased charges are associated with improved service quality and reliability. To realize the potential benefits of increased private sector and community participation in infrastructure provision and service delivery, however, considerable public sector capacity is needed to develop appropriate policies and regulatory systems, to subcontract to and supervise non-governmental providers, to generate funds for investment and maintenance, and to ensure an appropriate balance between meeting the needs of formal and informal businesses as well as rich and poor citizens.

60. A healthy urban economy which generates work opportunities for the growing urban population, in general, and poor people, in particular, requires both positive measures of support and a cessation of public sector activities which unnecessarily constrain local businesses. This means, for example, eliminating unnecessary controls and bureaucratic procedures (which are often the source of corruption), relaxing unrealistic and locally inappropriate planning and building standards, and removing subsidies or licenses which benefit particular organizations and distort the economy. The development of financial and business services needs to be supported, especially for small-scale enterprises. Improved environmental health, improved access to education, training and financial services, and reduction of the hazards associated with dangerous living and working conditions can together increase the health, access to livelihoods and economic security of poor people.

61. Regulation is needed to reduce pollution, safeguard public health and ensure safe workplaces, but this should not be used to remove informal markets or street businesses, which have important roles in both the livelihoods of the poor and the provision of services to formal sector businesses and wage earners. Appropriate registration procedures and regulations can be developed through a consultative process, with priority in enforcement being given to significant polluters and large enterprises.

62. For several reasons, special attention needs to be given to supporting the urban informal sector, which is vital for a sustainable urban economy:

- It is often the source of livelihoods for the poor.
- It is vital to and closely linked with the urban formal sector through subcontracting and provision of intermediate goods and services.
- It provides – in an appropriate way and at affordable prices – essential goods and services for the population, especially the poor.
- It functions as an ‘incubator’ for small-scale enterprises.

63. Regulations, therefore, need to be carefully designed and sensibly and flexibly implemented, with recognition of the different needs and characteristics of the informal sector. Basic training in literacy and numeracy can give a powerful boost to informal businesses, as can the provision of suitably designed financial services, including micro-credit. Recognition of mixed land uses, together with regularization of tenure, can significantly increase investment in informal sector enterprises.

2. Priorities and Actions for Urban Environmental Sustainability

64. Sustainable urbanization requires that non-renewable resources are sensibly used and conserved, that renewable resources are not depleted, that the energy used and waste

produced per unit of output or consumption is reduced, and that the waste produced is recycled or disposed of in ways which do not damage the wider environment. Only by dealing with urbanization within regional, national and even international planning and policy frameworks can these requirements be met.

65. Production for sale to urban markets is vital to rural economies, but this production can easily cause environmental damage, so sustainable management of natural capital is a key policy goal. This may imply changes both in urban consumption patterns (e.g. from firewood to electricity) and also in resource management practices (e.g. tree planting for fuel or construction timber).

66. Achieving a better environment for human health and well-being, which will improve the living conditions of people and decrease disparities in the quality of their lives, depends to a large extent on the development of environmental health services. Until water supply, sanitation and solid waste management are available at a standard that provides affordable access to all residents, these should be the highest priority for urban managers. The provision of piped water, appropriate sanitation and solid waste collection will reduce pollution of ground and surface water both within and downstream of urban settlements.

67. However, improved treatment and disposal of human and industrial wastes does not necessarily imply the universal use of conventional waterborne sewerage systems (since these are costly in terms of both water and finance). Nor does improved treatment and disposal necessarily imply incineration, which has controversial environmental impacts. Enormous environmental improvements can be achieved by providing pit latrines, shared toilet facilities or low-cost sewerage systems, as well as better management of sewage settlement ponds and landfills. Improvements to service delivery also have important governance aspects, and lessons from recent experiences should inform the development of future partnership arrangements.

68. As industrialization proceeds and incomes rise, reducing the generation of waste and pollution from factory production and vehicles rises up the list of priorities. 'Clean production' – minimizing the generation of waste and pollution through improved operating practices and technological improvements – can be supported by:

- provision of appropriate incentives to encourage voluntary action;
- removal of subsidies which promote the over-use of resources, such as coal or water, and also administrative barriers to operational improvements;
- institutionalizing environmental responsibility, for example through the use of environmental management systems, such as ISO 14001;
- community empowerment so that citizens and NGOs can more effectively demand action by elected officials and industry;
- regular and accurate monitoring of pollution, and effective enforcement of regulations; and
- allocation of suitable sites for industrial development to minimize the damaging impact of poorly located industry on public health and the environment.

69. Thus, a mix of managerial, technical, community and governance actions are required to improve the sustainability of industry in urban areas. Many of these require action at national and international as well as local levels.

70. Recent experience has shown that air pollution caused by increasing vehicle numbers, the use of inappropriate fuels, and poor vehicle maintenance can be reduced dramatically in a relatively short time. Effective measures include:

- promotion of public transport (see Box 1.2);
- removal of subsidies for the use of private vehicles (including fuel subsidies and free parking) and the use of taxes to ensure that vehicle users pay the full economic and social costs of their use;
- shifting from diesel and leaded petrol to lead-free petrol, compressed natural gas, liquid petroleum gas or electrically powered vehicles; and
- introduction and enforcement of emission testing.

71. Dealing with particulates, lead and other dangerous pollutants in cities is a central part of the so-called 'brown agenda'. However, reduction in sulphur dioxide and carbon monoxide emissions is also relevant to the 'green agenda' concern for global environmental threats, such as ozone depletion and global warming.

72. The demands placed by the growing urban populations on food supply can be met by intensification of production. Although this may itself have adverse environmental consequences in rural areas, it also generates opportunities for improved livelihoods and creates potential for mitigating the adverse impacts of waste generation. For urban and peri-urban agriculture to contribute to urban food supply and the livelihoods of the poor, and to safely use urban wastewater and organic solid waste, support is needed from public sector institutions. Firstly, land for green space, including agricultural production, needs to be safeguarded through more effective planning and land administration systems. Secondly, more research is needed into the health impacts of irrigation with untreated wastewater, accompanied by improvements to sanitation and waste treatment to remove the most dangerous pathogens. Thirdly, solid waste management practices should emphasize recycling and reuse and, in this context, the composting of biodegradable waste and its sale to cultivators.

Box 1.2 Public Transport for Sustainable Urban Development: Kunming, China

In common with other Chinese cities, Kunming has been experiencing rapid economic and physical growth since the early 1990s. This has been accompanied, however, by increasing environmental problems, especially air pollution resulting from motor vehicle emissions. Faced with this problem, Kunming adopted, on a pilot basis but with considerable success, a 15-kilometer bus line (exclusive lanes in the center of existing streets) together with bus shelters and platforms and pedestrian walkways, to run from the city center to the airport and the site of a horticultural exposition. The bus line began operation in April 1990 with a capacity of 6,000 persons per hour in each direction. Despite the relatively small scale of the bus line, it has increased the speed of buses in the corridor by 68%, car numbers have dropped, and emissions and noise have decreased.

The bus line has widespread public support (80% approval, according to the local press) and locally it is widely acknowledged to have shown the flexibility and desirability of a policy focused on improvements in public transport in undertaking this initiative. The creation of the bus line was preceded by many years of careful study and discussion, which gradually reoriented priorities in the city by showing how new strategies could lead to a more sustainable process of urban development. A particular achievement was moving toward strategic integration of transport planning with urban planning – and of both environmental planning – together with mobilization of political and community support..

Source: UN-HABITAT Best Practices Database

73. Many aspects of environmental sustainability, it is clear, cannot be dealt with within urban areas – they reflect rural-urban linkages and can only be successfully tackled through governance arrangements which encourage cooperation between local governments and provide for policy formulation and action on a city-regional scale.

3. Priorities and Actions for Urban Social Sustainability

74. The social aspects of urbanization and economic development must be addressed as part of the sustainable urbanization agenda. This includes the promotion of:

- equal access to and fair and equitable provision of services;
- social integration by prohibiting discrimination and offering opportunities for physical space to encourage positive interaction;
- gender and disability sensitive planning and management; and
- the prevention, reduction and elimination of violence and crime.

75. Social justice recognizes the need for a rights-based approach, which demands equal access to 'equal quality' urban services, with the needs and rights of vulnerable groups appropriately addressed. Access to services is closely linked to land and sites for economic activities and shelter. In addition to reforms to the formal land administration system to ensure that the supply of land matches demand and to make it easier for low-income residents to access land through the formal system, measures to improve security of tenure in informal settlements are needed. Regularization of tenure (which does not necessarily imply the issue of individual title) is crucial both to ensure security and to encourage the provision of improved infrastructure and services (see *Box 1.3*). Some settlements are inappropriately located for regularization (for example, in flood-prone areas or steep slopes) and in these cases alternative sites are needed, with sensitively handled relocation arrangements.

76. Civil society organizations have an important role to play in fostering social inclusion: providing social support, developing the capacity of citizens to exercise political voice, strengthening the capacity of citizens' representatives to fulfill their roles and responsibilities in the political arena and supporting community organizations. Planning, management and service provision needs to be sensitive to social diversity and inclusiveness.

77. Efforts to address the problems of urban crime and violence require a multi-faceted and multi-stakeholder approach, incorporating social concerns of exclusion and discrimination as well as infrastructural issues of land use planning and street lighting, in addition to law and order elements, embracing cooperation with the police and accessible justice. Given the increasing priority accorded to these issues by urban citizens, it is clear that sustainable urbanization must take them into account. The challenge in addressing the issue of rising crime and violence in urban centers lies in building capacities at the city level, among the full range of stakeholders, to adequately address urban insecurity and to contribute to the establishment of a culture of prevention.

**Box 1.3 Improved Security for the Poor through Regularization of Tenure:
Visakhapatnam, India**

In Visakhapatnam, a port and industrial city in the state of Andhra Pradesh, India, with a population of over a million, 240,000 people live in 251 officially designated slums, one-half of which are on state or municipal government, including squatter settlements along roads, railways and city drains, inner city slums, peripheral villages and illegal subdivisions. During the last twenty years, an integrated and intersectoral approach to informal settlements has been implemented, including tenure regularization, house improvements, infrastructure installation and other health, education and training programs.

Tenure regularization is achieved by the issue of "*pattas*". Poor families occupying state government land for more than five years are given freehold *pattas* without any charges, while others have to pay the market price. The *pattas* are given in the name of women, they can be inherited but not sold, and they can be mortgaged in order to obtain housing loans. Squatters on municipal land are issued with possession slips which may later be replaced with *pattas* issued by the state government revenue department. Some slums on unsuitable land have been in relocation sites, but land shortages are leading to regularization even on these sites. In general, basic infrastructure had been provided to over 90% of slum dwellers and in 1998, more than 58% had been granted some form of *patta*, thus greatly increasing their security.

Source: Banrjee, B. (2002) "*Security of Tenure in Indian Cities*" in Durand-Lasserve, A. and Royston, L. (eds) *Holding Their Ground: Secure Land Tenure for the Urban Poor in Developing Countries*, Earthscan, London, p. 37-58 and 86.97.

4. Good Governance for Sustainable Urbanization

78. Over the last few years, the United Nations-led campaign for Good Urban Governance has identified a widely accepted set of principles or norms against which decision-making and organizational arrangements can be judged. These are:

- sustainability in all dimensions of urban development;
- subsidiarity of authority and resources to the most appropriate level;
- equity of access to decision-making processes and the basic necessities of urban life;
- efficiency in the delivery of public services and in promoting local economic development;
- transparency and accountability of decision-makers and all stakeholders;
- civic engagement and citizenship; and
- security of individuals and their living environment.

79. Local government with responsibility for a reasonably comprehensive set of urban management tasks – and empowered with legal authority and financial resources – is likely to constitute the core of the political, organizational and financial arrangements needed for good urban governance. But recent experience has demonstrated that such basic arrangements should also be accompanied by:

- establishment of lower-level representative government structures, especially in large and metropolitan areas, to increase responsiveness and bring government closer to residents at the neighborhood and community level;

- mechanisms and channels, alongside the formal structure of elected local government, to provide for participatory decision-making and improved accountability, with particular attention to the empowerment of the disadvantaged or socially excluded groups;
- constructive engagement with regional and national government to balance the legitimate roles of central government in achieving national development objectives and monitoring the performance of sub-national governments with the need of municipal governments for local autonomy and sufficient financial resources to address local needs and interests in ways determined locally; and
- predictable central-local fiscal transfers designed to fit national policy objectives while providing incentives to local revenue generation and supporting local responses to local priorities; because predictability is as important as volume for planning purposes, basic central-local fiscal transfers should be based on explicit policy aims translated into financial terms through an agreed formula.

Box 1.4 Successful Mobilization of Community Resources for Local Infrastructure Improvement: PLUS Program, Pakistan

In the cities of Pakistan, some 35% to 40% of the population live in Katchi Abadis or low-income and under-serviced housing areas, many of which occupy marginal and unsafe lands and most are characterized by poor site layout, inadequate access, and high building density. Often they developed without legal ownership or permission, some are 'squatters' and others in areas where land title is disputed or unclear. While these lower income areas also rely extensively upon piped water-borne sewerage systems (at least where there are primary and secondary lines nearby), public authorities find themselves unable to make adequate progress in extending the sewerage network into the growing poorer neighborhoods. As a result, only about half of the households in such areas are served by underground sewerage (or any form of collection); it is therefore common to see wastewater from houses draining directly into the streets and lanes to collect in fetid pools in low-lying areas throughout the community, with all the predictable public health consequences.

The PLUS Program works in three cities (Faisalabad, Multan and Gujrunwala) to facilitate social mobilization within poor communities, helping local people to organize themselves for self-help initiatives aimed principally at providing local sewerage systems. The program also supports implementation of the work in an appropriate but low-cost manner, by providing technical assistance directly or through suitably experienced NGOs and by training of local workmen. These interventions are based on 100% community financing raised by land-level action (often led by women) and are thus dependent on external funding. In the first year of operation (2001-2002), the PLUS initiative helped low-income communities connect to the city systems by completing 20,250 feet of tertiary (9-inch) and 3,820 feet of secondary (12-inch) sewers. This directly benefited 2,220 households, who themselves raised over \$32,250 to pay for the works. This success demonstrates that the poor can and will pay for local improvements which they consider to be priorities, provided that the work is properly and expeditiously completed – and at a price considered reasonable.

Source: UNDP-Pakistan Resident Mission, 2003.

80. Mobilization of local resources – whether municipal, community and household, private sector or other – is a vital element of making greater progress towards sustainable urbanization, although external resources will often continue to be needed. The ability of poor communities to generate resources to improve local infrastructure and the potential role private operators can play have both been demonstrated in several innovative programs (see *Box 1.4*). Adapting and up-scaling a community/private/own-resources

approach could significantly accelerate the provision of adequate water and sanitation in poor communities. Related initiatives such as community contracting and Community Development Funds have also proved effective. Community contracting mobilizes local resources, builds local skills and capacities, empowers local communities, and generates local jobs and income. Community Development Funds are intermediary financial institutions which make loans and grants available to groups of poor people (see Box 1.5).

Box 1.5 Community Development Funds: UCDO, Thailand

The Urban Community Development Office (UCDO) in Thailand, runs one of the largest and most successful community development funds. It was established in 1992 as a 'special project' under the National Housing Authority with an independent board and advisory committee which included representatives of the urban poor through their community savings and credit associations and federations. From its initial government grant, the UCDO provided credit to community savings groups to encourage people in poor communities to work together, learn how to manage their own funds and link with other communities. Loans are made for housing, income generating activities, and revolving funds. As the savings groups grew in numbers and strength, they began to link with each other and the UCDO increasingly lends to networks which work out their own systems for on-lending to their members. The availability of this loan fund has helped to boost the communal savings of 100,000 households in 852 savings groups and strengthened the capacity of community organizations to tackle other problems. By 2000, over half of Thailand's 2,000 urban poor communities were UCDO members, linked together into 120 networks and engaged in a wide range of activities.

Experience shows that local funds work best where they are representative and inclusive community-based organizations formed by urban poor groups and local governments that are sympathetic and have the capacity to be supportive. However, where these conditions do not exist, they can still work well if care is taken to develop the appropriate institutional arrangements and support is provided to developing the capacity of poor groups.

Source: Asian Coalition for Housing Rights (2002) "*Special Issue: community Funds*", Housing by People in Asia, No. 14, February.

81. However, progress towards good urban governance will be difficult to achieve unless public agencies have the appropriate capabilities. Serious attention must, therefore, be given to improving the policy-making and operational capacity of local governments. Experience shows that dynamic local leadership, strong political backing, legal and organizational reform, sound financial management and an ability to attract suitably skilled staff are needed. Given the scale of the task, attention must be given to securing local ownership and support for change, as well as to sequencing changes in ways that deliver benefits to residents and enterprises as a basis for building momentum and legitimacy for further reforms.

82. To support these reform and rebuilding efforts, and to help local governments and local stakeholders to build up the capabilities required for sustainable urbanization, more emphasis must be given to capacity-development initiatives directed at the full range of local actors: local authorities, NGOs, communities, private sector, etc. Diverse and active forms of experience sharing, information exchange, and mutual learning are called for, including city-to-city and community-to-community cooperation, as well as access to and use of information on existing initiatives and experiences.

83. The challenge of integrating urban and rural development, in terms of physical-spatial, economic, social and environmental aspects, calls for a pro-active, creative, and flexible approach to planning and managing sustainable urbanization. Strategic planning mechanisms and skills need to be developed to meet this challenge. Planning at the regional (sub-national) scale is a valuable tool for helping to ensure a balance in urban and rural development and cope with the absorption of rural-urban migrants while maintaining a good quality of life in both urban and rural areas.

84. The limited political and regulatory capabilities of most cities should be focused on strategic planning. A strategic urban development plan worked out in cooperation with the main local actors in the development process can be an effective way to influence urban physical growth even in the absence of effective control powers (see *Box 1.6*). It should contain strategies for accommodating and (where possible) guiding growth, for instance by carefully planned and sequenced provision of trunk infrastructure (water, roads, drainage and sanitation). Transport infrastructure has a central role in guiding new development in ways that minimize environmental damage, encourage renewal, and support economic activity. Transport and communication network link cities and towns to each other and to their surrounding regions and influence the efficiency and environmental impact of their internal arrangements. Long- and medium-term development strategies should, therefore, be linked to transport investment decisions, guiding the overall direction of future urban development, influencing its pattern and density, and minimizing its environmental impact. To achieve these aims, the instruments of land administration and infrastructure investment need to be backed by other actions, for example, pricing policies which favor public over private transport. Strategic reservation of land, for instance, which allows for future roads and infrastructure, or preparing ecologically important zones (flood plains, ground water recharge areas) can have important benefits.

85. The actions and priorities identified in this section depend on a wide range of actors for their realization. The final section will therefore examine the roles and responsibilities which actors at all levels, from local to global, will need to fulfill for sustainable urbanization to be achieved, and will discuss how they can work together for this purpose.

B. Roles and Responsibilities for Sustainable Urbanization

86. To achieve sustainable urbanization, action is needed at all levels – local, national and international – and by a wide range of stakeholders from government and civil society, working in partnership with each other.

1. Action at the Local Level

87. Local government has a crucial role and responsibility in addressing the sustainable urbanization agenda. As the sphere of government closest to the people, local governments can best understand and reflect local needs and priorities, broker multi-stakeholder partnerships and participation, and monitor local trends and emerging issues. They also have a crucial role to play in raising awareness of the challenges of sustainable development and of how local actions can improve quality of life as well as contribute to the global environmental agenda.

88. Local Agendas 21, the collaborative approaches to development and environmental planning, have been pivotal in promoting awareness and implementing broad-based participatory planning processes in many urban centers. They typically involve the local community, civil society organizations and the private sector in prioritizing areas of action and in mobilizing both public and private resources for improving the local environment.

These Local Agenda 21 initiatives remain largely isolated, however, and there is a need to more systematically share lessons learned and to link them with broader policy.

Box 1.6 Strategic Development Planning: Coimbatore, Tamil Nadu, India

Changes in national and state government constitutional and legislative provisions have enabled the city of Coimbatore – an industrial city of 1.1 million people – to address fundamental problems of local governance arising from fragmented responsibilities for urban development and weak institutional capacity. The Coimbatore City Corporate Plan, devised in the late 1980s, was the first major attempt by an Indian municipality to develop a strategic planning framework for city development. Consultations with citizens, elected representatives, various government departments and other stakeholders led to an agreement on the main areas of concern, formulation of a strategic vision and goals, development of an investment strategy, and identification of a set of performance indicators. Designed to overcome the two major challenges – unplanned and uncoordinated urban sprawl and unclear and overlapping responsibilities for administrative functions and service delivery – the plan integrated earlier sectoral plans for water supply, sewerage, drainage, and traffic and transportation.

The City Corporation sees an efficient urban form as instrumental in aiding economic growth and protecting sensitive resources. To balance urban development and environmental protection, it has adopted a number of urban growth management strategies. An example of such strategies is protecting priority resources by restricting development in specific areas, while providing incentives to development elsewhere, and general improvements to environmental management.

Strategic development planning is a key tool in improving urban management. However, without the 1992 constitutional changes and subsequent state enabling legislation which gave the City Corporation overall responsibility, appropriate powers and increased financial resources for managing the city, it would have been unable to adopt a leading role in strategic planning, to improve coordination of service delivery or to increase local financial and administrative capacity.

Source: Kumar, R. (2001), *“The Coimbatore City Corporate Plan: A Case Study of Strategic Management”*, The Challenge of Urban Government: Policies and Practices, World Bank Institute, Washington, D.C., pp. 73-79.

89. Sustainable urbanization also requires that stakeholders look beyond municipal and city boundaries. Critical concerns related to land, water, energy, transport, the promotion of local economic development and waste management require concerted rather than competing approaches to decision making and resource allocation. A regional approach to strategic urban planning is thus required, necessitating the involvement of stakeholders beyond the administrative boundaries of local government. Such an approach typically includes inter-municipal collaboration as well as the harmonization of conflicting policies and differing development priorities.

90. Local government can play an important role in facilitating economic development, although sustainable urbanization requires that the social and environmental implications are appropriately dealt with (as part of local government’s regulatory activities). To play this role effectively, local government needs to work closely with the private sector (formal and informal) and with civil society organizations, for example to develop partnerships to deliver improved infrastructure and services which support business as well as benefit the local community. Experience shows that with appropriately designed partnerships, both objectives can be met: a more enabling business environment can also be socially inclusive, benefiting the poor.

91. To effectively meet the demands of sustainable urbanization, local governments will require increased technical, administrative and financial capacity. This will involve the development and strengthening of a wide range of competencies and skills, as well as a radical shift in attitude, from considering the urban poor as part of the problem to their inclusion in forging solutions, requiring training and human resource development. New approaches will be required as well, for instance, participatory planning and decision-making to increase transparency and accountability, and the development of partnerships between municipalities and other local actors. To ensure that local authorities have adequate financial capacity, greater political and managerial powers need to be decentralized from the national to the local level, accompanied by administrative and taxation reforms. Achieving these capabilities will require sustained effort from the local government itself, but will also require considerable support from higher levels of government and from institutional partners.

92. Sustainable urbanization also requires that local civil society becomes an informed, empowered and active participant in local governance and urban development. Experience strongly suggests that when NGOs, local communities, CBOs, households, and individuals are involved in a meaningful way, the results are positive. One crucial lesson from extensive experience in small-scale interventions is that people, including very poor people, are both able and willing to contribute their own resources when they are properly involved in the process and when they have confidence in a directly beneficial outcome.

2. Action at the National Level

93. Local action for sustainable urbanization requires a supportive and enabling policy and legislative framework. At the policy level, sustainable urbanization concerns need to be mainstreamed throughout national ministries and agencies and should form an integral part of national strategies on poverty reduction, economic development, environmental protection and service delivery. Specific urbanization policies and urban-regional development strategies will typically be required to deal with the challenges of rapid urban growth. On the legislative front, sustainable urbanization will require, in most instances, a revision of the mandate of local governments, not only as service providers but also as promoters of local economic development, custodians of the local environment, brokers of public-private partnerships, and defenders of social justice. Revision and updating of legislation on urban planning, building standards, infrastructure provision and environmental regulation may well be necessary, to give local governments the authority and discretion required for new demands.

94. To effectively promote sustainable urbanization, national governments will thus need to undertake a variety of specific reforms as tasks, such as:

- decentralization and the empowerment of local authorities to enable them to engage in broad-based participatory planning, develop partnerships and combine public resources with those of the private and community sectors to improve local economic development opportunities and living environments; decentralization necessarily implies fiscal and administrative reforms that provide local governments with a fair and predictable share of public resources and the flexibility required to respond to local priorities and needs.
- reviewing and harmonizing national policies and institutional frameworks to eliminate often unintended conflicts that distort or inhibit environmentally sound urbanization; typical examples include conflicting policies governing the use of natural resources, such as water and land, and competing or overlapping jurisdictions and mandates for dealing with infrastructure, energy and transportation.

- mobilizing national (and international) resources for major urban and environmental infrastructure investment; and,
- actively supporting and implementing training, education and other capacity building efforts to mainstream sustainable urbanization concepts, methods and approaches, including participation in relevant international programs.

95. Throughout, the general role of national government in support of sustainable urbanization should be as facilitator, enabler and supervisor. National and sub-national spheres of government should retain their roles and direct responsibilities in areas that fall largely outside the capacity of local spheres of government. These typically include the planning, financing and provision of large-scale facilities and trunk infrastructure.

96. Other organizations with important potential roles in supporting local government include national associations of local authorities. They can often play a valuable role as intermediaries in policy dialogues and in promoting horizontal and vertical exchanges of expertise and experience between and among various agencies and local governments. Specific areas of action include networking and access to information; training and continuing education; national roundtables; and other forms of experience exchange and mutual learning.

3. Support from the International Level

97. The ultimate responsibility for achieving more sustainable urbanization depends on actions at the local, sub-national and national levels. There are, nonetheless, important roles for international organizations, including multilateral and bilateral development agencies, United Nations agencies, regional and international associations of local governments, professional associations, international support networks, umbrella NGOs and others.

98. Financial support remains critical to many developing countries in providing start-up capital or initial impetus for increasing urban development capacity. Capital investments designed to facilitate access by the urban poor to land, infrastructure and basic services, such as those funded by multilateral or bilateral lending and donor institutions, have proven in many instances to be effective means of both breaking the vicious cycle of urban poverty and enhancing the fiscal base of local government. Their effectiveness can be enhanced by training and institutional capacity-building efforts. Similarly, demonstration projects, which are usually grant-funded, have also proven their worth in terms of developing new tools and approaches for addressing the challenges of sustainable urbanization. They typically include a focus on participatory planning and decision-making, human resource development and the facilitation of policy analysis and development.

99. While there has been a recent increase in the amount of official development assistance to urban development issues, sustainable urbanization remains marginal in terms of both the resources involved and mainstreaming within development assistance policy. This is attributable partly to the nature of international assistance, which tends to focus on sector-specific issues, such as water and sanitation, health and education, or economic development, and partly to the long-lasting and prevailing anti-urban bias on the part of donor and international agencies alike. There remains, therefore, a considerable challenge: to convince the international community to properly recognize the crucial importance of urbanization; to accept that a concerted approach is needed to strengthen all spheres of government, in particular local authorities; and to forge policy responses and actions that will help achieve both sustainable urbanization and poverty reduction.

100. Additional resources notwithstanding, there is considerable room for improvement in harmonizing approaches to capacity building and for active partnerships between

organizations. Recent studies by UNDP and UN-Habitat have shown that there are a myriad of international and regional support programs but few mechanisms for identifying potential synergies, complementarities and gaps. For example, a survey of city-to-city cooperation and peer-learning, which analyzed existing modalities and entry points for intervention, revealed major gaps in terms of support for south-south transfers and coordinated responses to demand. These studies point to the following needs and priorities:

- systematic documentation and wide dissemination of lessons learned from experience in urban-regional development and management;
- systematic documentation and dissemination of examples of good urban policies and enabling national legislation, particularly in the areas of urban poverty reduction, gender equality and social inclusion, urban environmental planning and management, and decentralization and the empowerment of local authorities;
- mechanisms for better coordination of international support to capacity building for sustainable urbanization, including exchange of information, joint programming of interventions, greater flexibility in implementation, etc;
- greater responsiveness to local needs (a more demand-led and less supply-driven approach) and willingness to engage on a long-term basis with local partners; and
- mainstreaming of tested and proven tools in support of sustainable urbanization, such as participatory decision-making, Local Agendas 21, the Sustainable Cities Program's Environmental Planning and Management Process, and metropolitan or regional strategic planning.

101. Agenda 21 commits its signatories to the achievement of sustainable development, as elaborated in subsequent agreements, such as the Habitat Agenda. As has been argued in this paper, it is clear from the scale of urbanization and the challenges it poses that for Agenda 21 to be implemented, it is essential that the urban dimensions of its key concerns must be addressed. In disseminating, learning from and acting upon successful attempts to address these critical concerns, local, national and international organizations must work together in meaningful partnerships for sustainable urbanization.