



HABITAT Norway



World Habitat Day, October 3rd 2005

Conference in Oslo on



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## **World Habitat Day 2005 in Oslo Habitat Norway**

The United Nations has since 1985 celebrated the annual event of the World Habitat Day on every first Monday of October. This day was set aside by the United Nations for the world to reflect upon the state of human settlements and the basic right to adequate shelter.

Habitat Norway is in charge of arranging a conference on the World Habitat Day every year, where different themes and issues related to human settlements are discussed. This year's theme is "the Millennium Development Goals and the City". The conference was sponsored by The Norwegian Agency for Development Cooperation (NORAD), The Norwegian State Housing Bank (Husbanken) and The Ministry of Local Government and Regional Development (KRD).

The conference was chaired by Inger Lise Syvertsen from Oslo School of Architecture (AHO).



**Anna Tibaijuka, Executive Director, UN -Habitat**

## **The Executive Director's Message on World Habitat Day**

The United Nations has designated the first Monday of October each year as World Habitat Day to reflect on the state of human settlements, especially the living conditions of the urban poor and their basic right to adequate shelter.

The theme of World Habitat Day this year is *The Millennium Development Goals and the City*. If we can achieve the goals in our towns and cities, the impact will be enormous, especially in the burgeoning slums and informal settlements of the developing world. Already, almost half the global population lives in urban areas. And nearly a third of them, about 1 billion people, live in the unhealthy deprivation of slums. Trends show that 90 per cent of global population increase in years to come will be in the cities of Africa, Asia and Latin America, where large majorities live in slums, with little access to water, sanitation and other basic services. Cities, therefore, provide an important platform for achieving the Goals.

The goals and their targets are aimed at eradicating poverty, environmental sustainability, achieving universal primary education, empowering women, reducing child mortality, improving maternal health, fighting AIDS, malaria and other diseases – all features of slum life. Slum upgrading and slum prevention are, therefore, critical to attaining the goals. People in slums are crying out for implementation of the Millennium Development Goals.

Goal 7, Target 11 commits world leaders to achieving a “*significant improvement in the lives of at least 100 million slum dwellers by 2020.*” But UN-HABITAT considers this far too modest. It covers only a fraction – just 10% – of the world's slum dwellers. Since it was set in 2000, the global slum population has already grown by 200 million people. If current trends continue, by the 2020 target deadline, the number of slum dwellers will have reached 1.6 billion. Furthermore, individual countries have no way of determining their share of the 100 million people involved. This dictates a much broader and more ambitious approach to achieve the “Cities without Slums” target of the Millennium Declaration adopted by world leaders in September 2000.

We must understand that there will always be a continual flow of poor people into urban areas. Their considerable contribution to the economy is rarely matched by their access to services. These services require a substantial increase in pro-poor investment.

UN-HABITAT's Slum Upgrading Facility is a new programme to unlock capital for pro-poor investment. It promotes and coordinates partnerships to mobilise domestic and international funding for affordable low-income housing and urban infrastructure in the developing world. The quest for funding urban poverty reduction is also highlighted in our new *Global Report on Human Settlements 2005 on Financing Urban Shelter*. The report analyses the impact of current shelter financing systems on low-income households. By identifying the financing mechanisms that work for the poor, this report will help governments at the central and local levels, as well as non-governmental and international organizations reduce urban poverty.

UN-HABITAT is launching the global celebration of World Habitat Day in Jakarta to remind the world that countless thousands of homes were destroyed last December by the tsunami killer wave that so devastated Indonesia's Banda Aceh coastline and other Indian Ocean countries.

To date, UN-HABITAT and UNDP have jointly mobilized more than 20 million dollars for shelter and community rehabilitation in Indonesia, Sri Lanka and the Maldives. Solutions to land tenure and relocation are central to long term recovery in these countries. UN-HABITAT remains committed to seeing this recovery through.

As we come together like never before for the tsunami victims, so must we join hands and forces in making urban poverty history. We have to confront the "soft tsunamis" of our world, such as HIV/AIDS, hunger and waterborne diseases that kill thousands of victims. We must keep the Millennium promise and give all our support to the new global partnership for development – the eighth goal – between rich and poor countries.

Cecilie Arnesen Hultmann, UNDP

## Millennium Development Goals and Inequality

The MDGs represent the most ambitious global development agenda the world has seen – a framework for development agreed upon by all the member states of the United Nations. Below I present a status for the MDGs and some projections for the future. I also look at an issue that has been high on the agenda in international debates in recent months; namely the question of inequality. In the latter half of this presentation I discuss the issue of inequality in relation to the MDGs and human development.

### Why are the MDGs relevant?

Less than two weeks ago 192 countries signed the outcome document from the World Summit, and for the first time all member states have publicly endorsed the Millennium Development Goals.

- The MDGs are unique because it is the first time a consensus about the development of the world has been reached on a level by heads of state.
- The goals are unique because they are ambitious. They aim to significantly improve the lives of hundreds of millions of people within just one generation.
- They are unique because they have a deadline. 192 nations have committed themselves to achieve the goals within 2015.
- They are unique because they are concrete and measurable.
- And they are unique because they recognise that poverty reduction and sustainable development can only be accomplished if different actors work together in partnerships towards these common goals.

But, the goals are not all encompassing and perfect, and although debate around them is critical, it is important to distinguish between what they are and what they are not.

The goals represent a **global framework** for development, and by implication will not be suitable for every context. It is critical that the goals are localised to address the specific development challenges of the locality, so that attention and resources are focused and targeted where they are most needed (E.g. different strategies demanded to tackle Russia's generation of missing men and the living condition of indigenous population in Bolivia).

The goals represent a **global consensus**, and by implication the lowest common denominator that is agreed by member states. The MDG's are not the ultimate goal of development. Rather, they are the minimum standard of development the world has agreed to see in year 2015.

So then, how are we doing in trying to reach them?

## **MDG status report**

### **Overall progress – developing world on average**

During the 90s – human development slowed down in many regions of the world. But still, if you look at statistics for the developing world in total, progress is made in almost all the MDGs. Economic development the past decade has lifted 130 million people out of extreme poverty - reduced the proportion of people living on less than a dollar a day by 7 percent, from 28 to 21 percent.

The overall rate of undernourishment has declined by three percentage points, and the under-five mortality rate has dropped from in average 103 deaths per 1,000 births to 88. Life expectancy rose in this period from 63 years to nearly 65. An additional 8 percent gained access to improved drinking water supply, and 15 percent more to basic sanitation services.

The only area in which progress has not moved in the right direction is, as you all know, the spread of HIV/AIDS. Development in this area has been catastrophic, with more that 22 million lives lost and 42 million more infected. An additional devastating consequence is the now 13 million orphans as a result of this pandemic / children who have lost their parents to the disease.

### **Progress on the different goals**

A brief look at the different MDGs:

- 1) In terms of poverty prevalence, you can say that the world has never seen less poverty than today. Only one in five is now living in extreme poverty. However, at the same time you can say that poverty in the world has never been worse – because the differences between the worlds poorest and the worlds richest are increasing. And in absolute terms, the number of people living in extreme poverty is still tremendously high!
- 2) Many developing regions have made progress towards universal primary education, but progress too slowly and uneven. Some 115 million children are still not in school, with a disproportionate number in Sub-Saharan Africa. If current trends continue, the goal will not be achieved until 2075.
- 3) The same counts for the gender and health targets. Achieving gender equality, most often measured in terms of gender disparity in school, has already been missed in many parts of the world.
- 4/5) And the targets of reducing child and maternal mortality significantly within 2015 will be missed with a considerable margin. Despite the very low investment costs of improving these vital targets, 30,000 children die every day of easily preventable and treatable diseases, and 500,000 mothers die of pregnancy related causes, every year. With current efforts, the child mortality target will not be achieved until 2045 – 31 years too late.
- 6) In terms of the HIV/AIDS pandemic, I have already mentioned that this is the only area in which the world on a global level is witnessing reversal of human

development. However, 17 countries count for a significant part of this development and have, as a result, experienced a drop on the Human Development Index. The majority of these countries are located in the Sub-Saharan region – where the worst affected countries, such as Botswana experience HIV prevalence rates of over 30% in urban areas.

7) Regarding the environmental sustainability I only want to underline the emerging consensus regarding the close connection between environmental sustainability and the plight of the poor. And with an urban population growth in developing countries at three times the rate of population growth in rural areas, the present developing paradigm is challenged. Poverty can no longer be considered a primarily rural problem – and new aspect of poverty is emerging that demand the world's attention.

8) I will return to this below.

## **MDG projections**

The human costs of failing to meet the MDGs – the gap between the 2015 target and if we continue on a “business-as-usual” basis:

- 41 million more children will die between now and 2015.
- 380 million fewer people will have been lifted out of extreme poverty
- 230 million more people will suffer from chronic malnutrition
- 47 million children will still be out of school

## **Conclusion?**

These trends say very little. On a global level, the world is moving in the right direction in most of the dimensions that are central for human development – although the speed is too slow to meet the Goals. But on country level the differences are massive. What is critical, then, is to consider whether the situation has improved for the world's poorest and most vulnerable population? Whether the tremendous growth in prosperity the world has experienced the past decades has trickled down to benefit the most marginalised?

This is why I find the recent focus on inequality particularly interesting.

## **Inequality**

The biggest problem with presenting general developing world trends, like I've done now, is that they camouflage the vast differences across and within regions and countries.

## **Variations between countries**

Although some parts of the world have experienced tremendous growth and improvements in human development the past decade -and most noticeable India and China – that together have lifted millions of people out of desperate poverty. Other regions, particularly Sub-Saharan Africa are facing significant challenges meeting the MDGs on almost every dimension of poverty. Average incomes in Sub-Saharan are lower today than they were in 1990. And the past decade, almost 85 million more people have descended into desperate poverty – increasing the total

number to 313 million. Also in terms of access to basic services, such as education and health – the situation for the majority of countries in this region is either worse or the same as a decade ago.

### **Variations within countries**

But regional figures also tend to conceal huge inequalities within countries, and a worrying trend in the past decades is that this is also on the rise.

Rising inequality within countries, both in economic and non-economic terms, between rich and poor, men and women, and rural and urban areas, is important to include in the development equation because extreme inequalities are bad for growth, bad for democracy and bad for social cohesion.

For instance, extreme inequalities in income limit the rate at which growth can be converted into lower levels of poverty. Similarly, extreme disparities in non-economic aspects such as health and education reduce the scope of disadvantaged and marginalised groups to take advantage of opportunities for improving welfare.

### **MDGs and inequality**

In other words - inequality is bad for the progress towards achieving the MDGs. And this in fact represents a weakness with the MDG agenda - that it does not adequately address inequality directly. The MDGs are distribution neutral, and measures progress, as I have just presented to you, by aggregating and averaging change – either at a regional or national level.

And this is a problem on two accounts. Firstly, the MDGs are rooted in ideas about global justice and human rights – that progress should benefit all, regardless of economic status, gender or location in a country. Secondly, because of the trend that poor people are increasingly being left behind. A recurring theme in data from a large group of developing countries is that progress among the poorest 20% of the population is far below the national average. And when poor people account for a far larger share of deprivation than people who are not poor, it follows that accelerated progress among poorer people is the most effective route to faster national progress.

### **Examples – translating growth into human development**

If you look at India and China, the strong economic growth both countries have displayed recently, has been very unevenly distributed at a sub national level – and both countries show difficulties in translating economic growth into growth in human development. If you look at child mortality in the two countries, both countries experienced a decline in the incidence of child mortality between 1990 and 2003. And together, the two countries account for almost 40% of the annual 11 million child deaths.

Trends show that economic growth is not necessary to achieve progress in Human development. Both Vietnam and Bangladesh – despite much lower rates of growth, have managed to reduce child mortality significantly more than China and India.

Also in Sub-Saharan Africa, inequality within each country is extremely high. The little growth that is witnessed has been highly unequally distributed among the population. Take Zambia for instance - one of the poorest countries in the world – the ratio of the income of the richest to the poorest 10% is 42:1.

Income inequalities both reflect and affect wider life chance inequalities, starting with the chance of staying alive. Infant death rates in Zambia are two to three times higher for children of the poorest 20% than the children of the richest 20%. Poor women are less likely to receive antenatal care, and less likely to have their births attended to by trained medical personnel. Their children are less likely to complete school, which means that in the future they are more likely to have lower incomes. In other words – the vicious cycle of poverty and deprivation is transmitted across generations – even more in countries with high levels of inequality.

### **Inequality and Urban Poverty**

Living in rural areas is still, in many developing countries, a marker for disadvantage. Poverty rates are higher, and access to services lower. However, this trend is rapidly changing – as population growth is three times higher in urban than in rural areas. And although urban areas on average experience a larger share of growth and improvements – this rarely benefit the most marginalised and vulnerable people in urban areas – namely slum dwellers. Studies in Africa show that death rate of children under the age of five who live in slums is about twice as high as that of children in other urban communities.

### **Conclusion:**

Without focus upon inequality – and without policies specifically developed to reduce deep structural inequality – the growth and development may deepen inequality.

### **But – it is still possible to reach the MDGs!**

#### **- What needs to be done and who needs to do what?**

### **Success stories**

History has shown that great progress in very short time is possible.

- In only 7 years, life expectancy in Sri Lanka increased with unbelievable 7 years.
- And South Africa managed to halve the number of people without access to safe drinking water in only 7 years.
- China has reduced the number of people living in extreme poverty during one decade
- And Botswana managed to double the number of children enrolled in primary school between 1970 and 1985.

The moral is: with the right effort it is possible to improve the lives of millions within one generation. All countries can still achieve the MDGs.

## **2005 – The year of Development**

2005 has truly emerged as the year of development – with an immense amount of reports being produced and recommendations put forth. Most notably; the Millennium Project led by the American economist Jeffrey Sachs, the report of the Secretary General *In Larger Freedom*, and most recently the Human Development report 2005 *International Cooperation at a Crossroads*.

### **What needs to be done?**

Millennium Project report – key messages / ten recommendations:

- Fast track countries
- MDG based PRSPs
- Quick wins

HDR 2005: Changing this picture will also require the development of public policies that address the deep-rooted inequalities between rich and poor people, men and women, and more prosperous and less prosperous regions.

- Governments must choose growth strategies that benefit the poor – a dollar in the hands of an urban slum dweller generates greater welfare than an equivalent amount in the hands of a millionaire.

### **Who needs to do what?**

Responsibilities of developed/rich countries versus responsibilities of developing countries.

Rich countries need to start delivering on their commitments. Without financial support, developing countries will not the necessary public investments needed to improve human development.

### **Outcomes of 2005 World Summit**

Contrary to public opinion, we do not consider the outcome on the development agenda a complete failure.

- As I mentioned in the beginning, for the first time in history - all UN member states have now publicly endorsed the MDG agenda – even the US
- Commitments have been reconfirmed
- Developing countries have committed to developing national MDG strategies
- 50 bn USD more in development assistance

### **Way forwards?**

We have the technology and knowledge, the international political framework is in place, and the costs are for the first time in history utterly affordable. What is needed now is **action!**

**Mark Hildebrand** has been the head of the **Cities Alliances** since it was formally established in 2000. Before entering this position he had worked over 20 years for UN-Habitat.



## Cities Taking Ownership of the MDGs

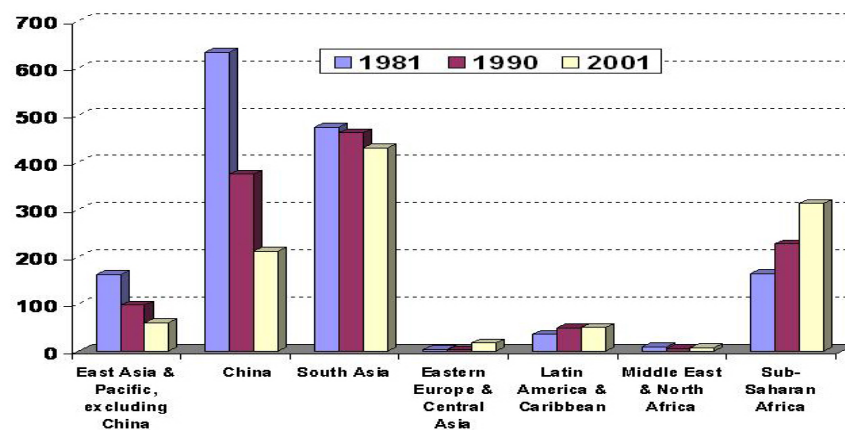
The MDGs constitute a framework to measure progress and there is a significant sign of this progress. Before 2000 development goals were set by the north; OECD countries etc. At the summit of the Millennium Declaration even extra points from the slum dwellers were added.

But the number of poor in Africa has nearly doubled since 1981.



## Number of Poor in Africa Has Nearly Doubled Since 1981

Millions of People Living on Less than US\$1 Per Day

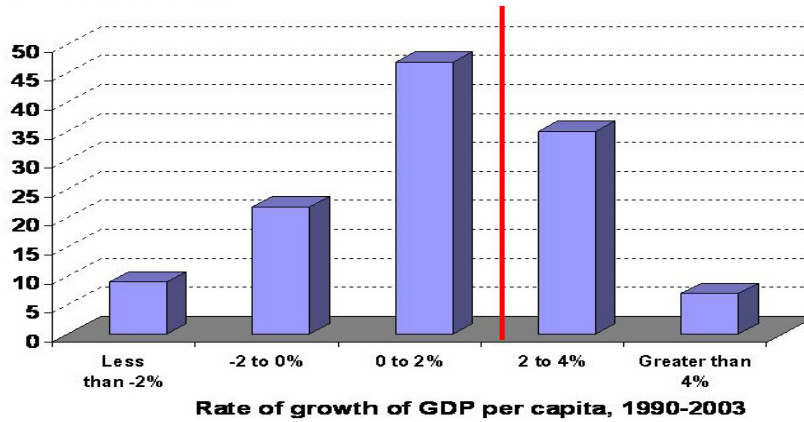


Source: 2004 Annual Review of Development Effectiveness: The World Bank's Contributions to Poverty Reduction. World Bank. 2004.



## Economic Growth Needed to Sustain Poverty Reduction Remains Elusive for the Majority of Developing Countries

**Number of Countries**



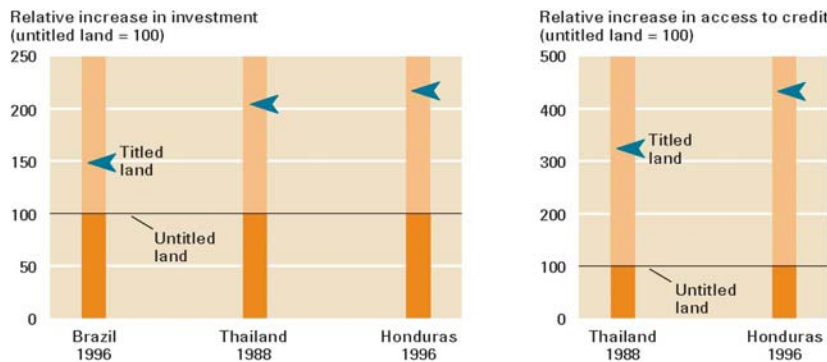
Source: 2004 Annual Review of Development Effectiveness: The World Bank's Contributions to Poverty Reduction. World Bank, 2004.

Target 11 of the MDGs is the only target which differentiates between the rural and the urban, focusing on improving the lives of slum dwellers. Slums are a function of inequality and not only poverty. All population growth will be in urban areas in the near future, and one must seek to prevent the growth of new slums.



## Equity is a Fundamental Development Goal - Instrumental to Both Social and Economic Development

### Title to Land Increases Investment and Access to Credit in Both Rural and Urban Areas



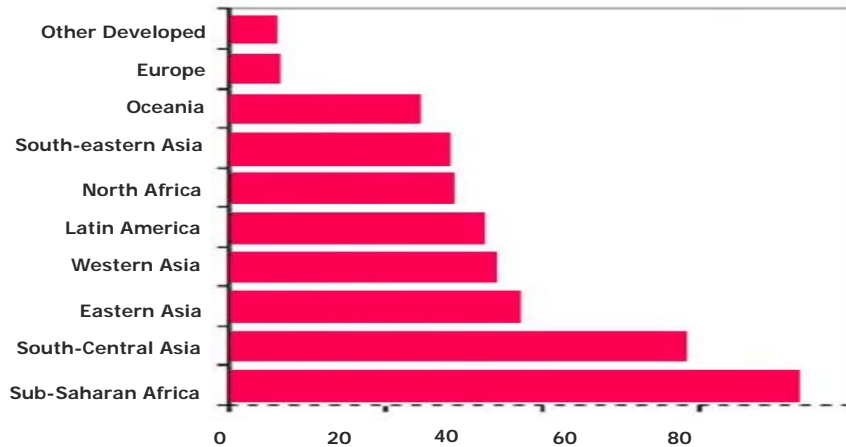
**Development and economic opportunity are strongly shaped by access to tenure, credit, infrastructure and social services**

Source: World Development Report 2006 : Equity and Development. Chapter 8: Justice, Land, and Infrastructure. World Bank, 2005.

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## Slum Dwellers as % of Urban Population



Source: UN Habitat.

### The Challenge of Cities without Slums is Growing

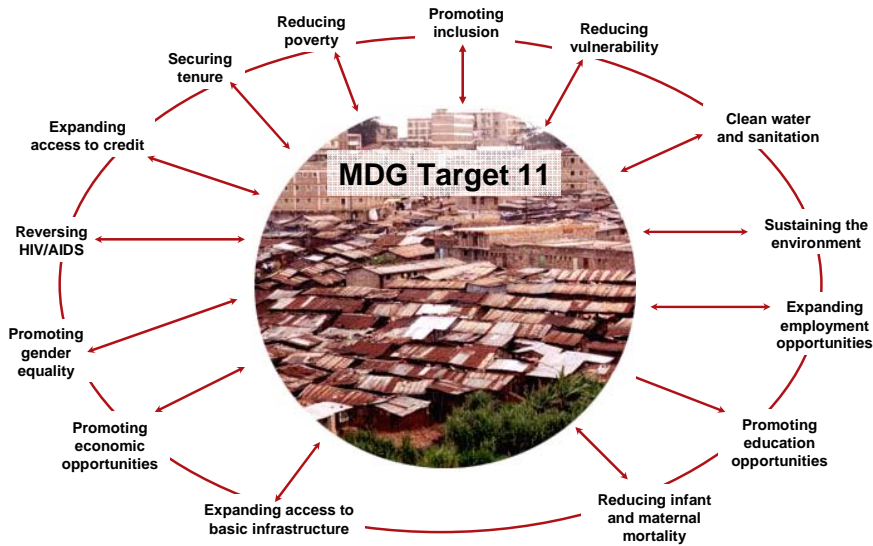
- ❖ 900 million people currently live in slums;
- ❖ 1 billion lack access to adequate water supply;
- ❖ 2 billion lack access to adequate sanitation;
- ❖ 4 billion without adequate wastewater disposal.

Failure to prevent the growth of new slums would result in doubling number of slum dwellers by 2030

Good policy, proper leadership, political will and accountability are key concepts in slum upgrading and overcoming the problems. Mayors are often more accountable than ministers, and the real action and resources are at the local political level. But all negotiations etc are at a higher political level. One needs to get at the causal factors and not the cures to solve the problems.



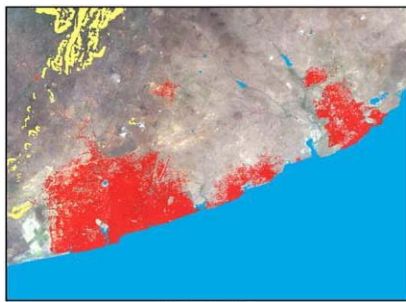
## Slum Upgrading Critical to Meeting MDGs



Many places one is in denial of the rapid urban growth and few governments are doing something to prepare for it. The example below shows how much Accra, Ghana has grown in 15 years:



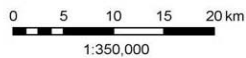
## Accra, Ghana



T<sub>1</sub>: 6-Mar-85



T<sub>2</sub>: 4-Feb-00



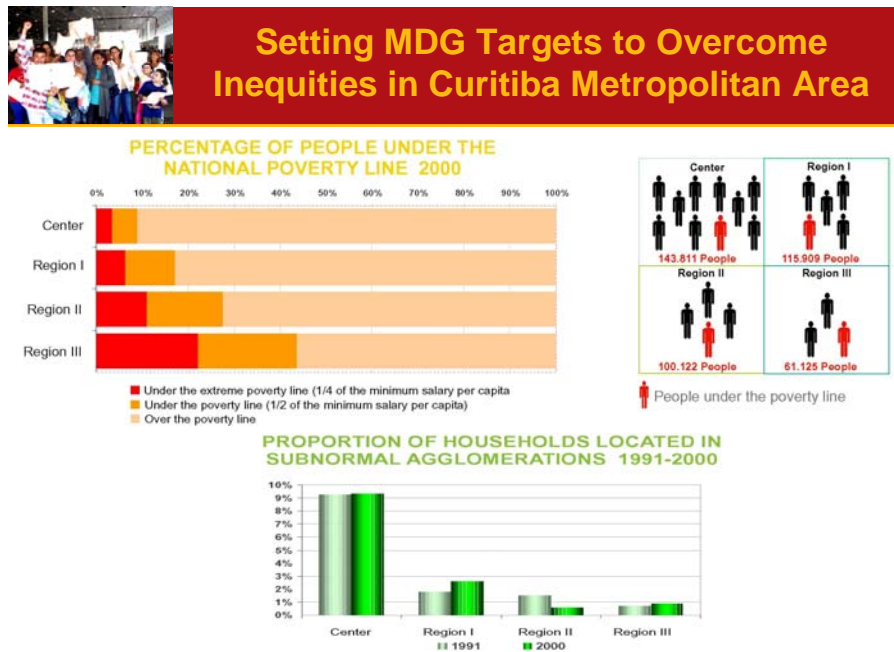
Measure	T <sub>1</sub>	T <sub>2</sub>	Annual % Change
Population	1,882,990	2,789,380	2.67%
Built-Up Area (sq km)	133.35	344.26	6.56%
Average Density (persons / sq km)	14,120.39	8,102.64	-3.66%
Built-Up Area per Person (sq m)	70.82	123.42	3.79%
Average Slope of Built-Up Area (%)	3.11	3.11	0.01%
Maximum Slope of Built-Up Area (%)	12.28	12.28	0.00%
The Buildable Perimeter (%)	0.71	0.73	0.15%
The Contiguity Index	0.69	0.80	1.01%
The Compactness Index	0.68	0.61	-0.75%
Per Capita Gross Domestic Product	\$1,325.50	\$1,836.23	2.21%

## Learning from Cities.

Some cities are now taking the goals as their own. Example:

### Munoz MDG Localization Process

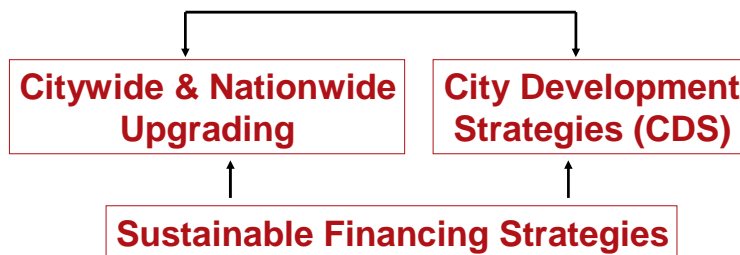
- ❖ MDG Target Setting with Stakeholders;
- ❖ Alignment of MDG Targets with City Plans and Budget;
- ❖ City Council Resolution Adopting the MDG Targets;
- ❖ City-wide Launching of MDG Targets and Groundbreaking of Projects;
- ❖ Updating the City Poverty Baseline – City Poverty Monitoring System;
- ❖ Institutional Development;
- ❖ Development of M&E Systems – Report Card System & Performance Measurement Tool.



Source: *Millenium Indicators in the Metropolitan Area of Curitiba*. Orbis-MC.



## The Cities Alliance Supports...



*The Cities Alliance works through its members engaging -*

- ❑ Civic leaders
- ❑ Local authority associations
- ❑ Investment partners

*...to achieve citywide scales of action*

### **Cities Alliance:**

#### **The First Five Years**

- ❖ **Established first global urban development goal**
  - City Without Slums action plan
    - Millennium Declaration
    - MDG Target 11
- ❖ **Focused global knowledge sharing on how to scale-up impacts**
  - city development strategies
  - citywide slum upgrading
  - sub-sovereign financing

**...new tools and practical approaches now being mainstreamed by our members and partners**

- ❖ **Linkage to investments for implementation**
  - \$60m commitment linked to \$6bn investments

#### **Unleashing the Potential of Cities**

- ❖ Realize the positive impacts of urbanization by addressing cities' performance constraints;
- ❖ Encourage cities to be proactive developers of urban infrastructure by mobilizing domestic capital;
- ❖ Recognize that migration is one of the most effective coping strategies for the rural poor;
- ❖ Predicate policies on the growth of cities and peri-urban areas to avoid the next generation of slums.

Instead of debating the contribution of cities to development, more energy needs to be spent on unblocking it

### **Unleashing the Potential of Cities**

- ❖ MDG-based city development strategies (CDS) as local poverty reduction strategies linked to national PRSPs;
- ❖ City-level investment climate assessments to promote local economic development;
- ❖ Focus on domestic private investment, and city creditworthiness;
- ❖ Strengthen focus on the urban environment and ecological footprint of cities.

### **The Financing Challenge**

- ❖ Camdessus report estimated annual investment of \$17b for water and \$32b for sanitation;
- ❖ Sachs Millennium Project estimated investment required to upgrade slums and provide alternative to new slum formation at \$20b per year;
- ❖ With recent increases total ODA is now close to \$80b.

While the international debate has focused on the role of increased ODA - attention needs to be paid to the much larger and growing need for local sources of investment in cities where the poor live. It is the people who build cities, and there are a lot of solutions which can be made.

**Edward Robbins** is a professor in anthropology who has worked in Canada, Mexico, Belize, Sudan, Somalia, and Sri Lanka among other places. He is now teaching courses on social theory of the city and methods of research at the Oslo School of Architecture (AHO).



## Rethinking the Millennium Goals

In the discussion about “Millennium Development Goals and the City” it is important in addressing the problems on which the work focuses to question some of the goals and some of the recommendations that are being made. It is also important to examine what is said but what is not said in the Report and to think seriously about the limits of the one size fits all situations language that emphasizes the current trend which conflates urban development in terms of a market based model, public/private partnerships, and the role of good governance and civil society. What is most disturbing is the singular emphasis on privatization.

One way to illustrate this is to look at the language of the report and its emphasis on such things as sustainability, creating a better climate for private investment, good governance and poverty reduction among others and ask what kinds of endeavors might realize these goals. One candidate, it could be argued, would be the cultivation, manufacture and marketing of cocaine. Stating this is not to be deliberately perverse or facetious here<sup>1</sup>; if we carefully follow the language of this report than we could argue about the drug industry;

- It is a job generator in a series of important sectors: agriculture where coca farming provides a far better return per acre than just about any other crop and is easy to raise with 2-3 harvests a year; for unskilled rural peasants and slum dwellers it creates manufacturing jobs in the process of distillation of coca into cocaine, in transport, in financing, and in the security among others.
- It provides for a significant rise in class mobility as many involved in the drug trade become members of the middle class
- It attracts and promotes private sector investment both locally and internationally. Although its critics speak of cartels (e.g. the Cali Cartel, the Medellin Cartel) this is a misnomer as a cartel as an informal association of manufacturers or suppliers to control prices can only work as a monolith. In the drug industry, the various associations – and there are many – thus are better typified as entrepreneurial associations working in the spirit of open competition in which the most efficient will win out as in any market model.
- It is sustainable as it is an indigenous crop with little need, for chemical fertilizers, pesticides, or herbicides. Its market is also steadier than other crops

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<sup>1</sup> Although I am certainly cognizant of the deleterious affects on society of large scale drug use and corruption. The point is to put the language of the Millennium Report into a critical context and see it in anew light.

like coffee, sugar, and potatoes etc. which are victim to significant market cycles.

- It is a processed product and not simply a raw material.
- It is a major factor in moving wealth from North to South.

It might be said that drug trafficking affects the local population because it does create major problems with drug addiction in the local areas which adversely affects health and such. But so do cigarettes and alcohol in equally if not more drastic ways. And, industries like textiles, the growing of crops like cotton and sugar (which often involve significant use of pesticides) and such also adversely affect health and produce fewer jobs and less wealth for developing countries.

Another area which might be said in a perverse way to meet the goals of the report is government corruption. For example,

- It moves monies from government to the private sector for investment
- It creates jobs though the growth of bureaucracy and the service sector that supports the new middle and upper classes created by corruption
- It creates a local middle class through government employment
- It is steady and sustainable as long as countries of North America and Europe keep putting money into the development and security sectors
- It involves both private investment; e.g., corporations using bribes to get government work, and public action. It is often an efficient model (at least for those involved) of public-private partnerships with very low transaction costs
- It transfers wealth from North to South and it is a major source of hard currency for these countries
- And if companies like Halliburton, and the raft of arms manufacturers, oil companies and others continually involved in corruption in North America and Europe can make money from the misuse of government funds why can't the small guy

Corruption as a practice in the developing world is more than understandable. As an African colleagues pointed out, the government in many poor countries is really the only source of ready income and thus corruption is a prime industry.

It might be argued that corruption keeps out investment; Not necessarily! Look at both China and Iraq which receive some of the most massive amounts of foreign investment in the developing world yet are considered by most observers to be among the most corrupt counties in the world. And corruption has not kept oil companies away from either Nigeria or mining companies from the Congo. It is not corruption that keeps out foreign investment but whether profits outweigh the costs.

Certainly corruption siphons off funds from development. But does anyone want to argue that it siphons off more than military spending that is legal and above board. Yet while the MDG is clear on good governance in regard to things like corruption, it is relatively silent on military spending in countries that can ill afford it. Moreover, as the *Economist* has recently reported, South Africa has done things right. It has cut back public debt, worked to reduce corruption, opened up trade to the private sector, and has a growth rate of 3-4% per annum. Yet with all this it still

suffers 25-40% unemployment (depending on the figures are calculated) and as anyone who has visited South Africa knows, their cities are dangerous and replete with slums and large pockets of significant poverty.

So what gives? I would argue that the problem is that for too many years we have accepted a language and concepts that may be too vague, and too rooted in one kind of economic thinking (market based economics); thinking that sets standards that are abstract and unconnected to reality on the ground and to set on delivering quantifiable results rather quality of life. Put another way it is an emphasis on *making do* rather than *well being*.

Maybe now its time for us to begin to rethink, dare to be a bit radical or chance taking – what do we have to lose given the state of the world we live in. One might argue that this is naïve, that what I will argue is unrealistic but we need to ask ourselves isn't realism often a form of ideology that works precisely to stop questioning.

In the 1960's and 1979's it was common when working with communities for leftists and Marxists to argue this or that action or practice was unrealistic because of the limits set by the logic of capitalism. Today of course it is rarely those on the left who are the realists. Rather it is neo—liberals, global theorists and such who argue this or that practice is unrealistic because of the logic of the global economy. Yet the result is the same. We censor the potential for asking questions, for trying new practices. Wouldn't it be better to ask many different questions, try new things (especially when the old is not working well). If they are unrealistic, we will discover this soon enough. But just maybe we will find out these questions and practices are not only practicable but just what is needed.

When we look at the MDG with a somewhat skeptical eye, there are many questions that need to be answered before we should accept it wholeheartedly. This is especially true for Norway. Its generosity is unquestionably to be applauded but whose often uncritical rush to support the MDG may be misguided in terms of Norway's own goals and traditions with helping people to fare well in its own country and hoping to do so in the developing world as well.

Let's start by asking about the goals themselves as an example. The goals themselves are at best disappointing; even cynical in some instances particularly as it applies to urban issues. The MDG Report suggests as one goal the improvement of the lives of 100 million slum dwellers by 2020 (Goal 7 Target 11) yet its own task force on slums suggests that there are presently 900 million slum dwellers and that this number is growing with a predicted 1.7 billion slum dwellers by 2030. What kind of goal is it that will improve the lot of only about 11% of all slum dwellers today even as their numbers almost double by tomorrow. What this means in effect is rather than a growth of over 80% in the number of slum dwellers, the world will experience a growth of slightly less than 80%. Is that the best we can do?

Throughout the Report and in the *Task Force Report on Improving the Lives of Slum Dwellers* there is often mention about the importance of increasing the security of land tenure and other forms of ownership in the urban sector. Certainly it is an apparently non-debatable goal. But is it? When we speak of security of tenure we can refer to many different forms and methods of achieving it. And each of these is really dependent on a political culture that is willing to abide by the form of security;

even in the US we get governments appropriating private property through the use of the powers of eminent domain. We need to know so much to really devise a useful plan of securing tenure that will not have unintended consequences (like removing women from ownership when tenure is individualized etc.). And we need to ask do we really understand the issue that well. And can we guarantee that the costs of securitizing can be borne by the governments involved? And, in many instances why securitize and change a system of economic and social relations that ain't broke simply because it is informal?

It may be because of the emphasis on market based thinking and conceptualizations. And it may be because of an underlying yet unstated set of assumptions about how the world must operate – an essentialization of conventional market based assumptions – that the concepts in the report are at best vague as to what their implications.

At the very beginning of the report, it sets out in Goal 1 Target 1 that argues that we need to halve the proportion of people who earn less than \$1 a day. Here we see that almost immediately we are channeled into thinking in market terms. Rather than think about poverty in such abstract economic terms and see poverty in terms of some measure of making do, we should think in terms, as argued above, about well being. In such a discursive shift we might argue that while informal urban agriculture is not necessarily reducible to dollars and sense, it does feed people; we might see how through collective resource management people might find ways to feed themselves, cloth themselves through barter and exchange (methods used for years in Africa) and using local products we might enhance people's well being. Impossible? Well maybe, but no more impossible than raising people from poverty and squalor by talking about \$1 a day.

How about Target 2 to halve the number of people who will not suffer from hunger? Who can disagree? But the goals may be self contradictory. Let us look at an example from Dar Es Salaam. It is a city with large amounts of small scale urban agriculture that keeps food affordable and available to the poor. It uses illegal water by tapping local water mains and farming occurs often informally on land without title. Given the ideas of de Soto and the notion that water distribution should be made rational, it may be that the local urban farmers will no being able to afford to farm and distribute their produce so inexpensively. This in turn might lead to greater degrees of malnourishment.

Thus, might not fragmentation of thinking (one set of experts to develop a strategy for creating legal tenure another to deal with nutrition and hunger etc.) and might not the emphasis on market driven ideas (rationalization) be contradictory and counterproductive? Maybe we should spend our development dollars in Dar on free water and encourage urban informal agriculture rather than spending our development dollars on a new bureaucracy to tenure land?

Let's ask about another set of recommendations that there should be investment in core infrastructure. Why? Not because it fosters well being. Rather because as it argues:

- it converts subsistence farming to market-oriented farming

- it provides for private sector led diversified exports
- it allows a country to join the global division of labor in a productive way

Does converting subsistence farming or local farming to market orientations, especially for the global market, reduce hunger? It certainly hasn't in Mexico where once it could feed itself but since shifting to the export economy has to import basic foodstuffs. Nor has it in Guatemala or in Kenya where export agriculture provides the US and Europe strawberries, snow peas and string beans. What does the export market really do in the way of providing a better nutritional base for the poor?

Throughout the Report, the recommendations assume that opening markets and building the private sector is at the core of good development practice. Why? Is the private sector the obvious example? China is developing a huge private sector market yet over half the population remain near or below poverty. Indeed in the land of the US it might interest us to know the following: In a 1996 study published in the New England Journal of Medicine, University of Michigan researchers found that African-American females living to age 15 in Harlem, New York had a 65% chance of surviving to age 65, about the same as women in India. Meanwhile, Harlem's African-American males had only a 37% chance of surviving to age 65, about the same as men in Angola or the Democratic Republic of Congo.

It takes more income to achieve a given life expectancy in a rich country like the United States than it does to achieve the same life expectancy in a less affluent country. So the higher money income of a low-income person in the United States, compared to a middle-income person in a poor country, does not necessarily translate into a longer life span. The average per capita income in African-American families, for example, is more than five times the per capita income of EL Salvador. The life expectancy for African-American men in the United States, however, is only about 67 years, the same as the average life expectancy for men in El Salvador.

And while there is talk throughout the report about sustainability, (along with participation and good governance, the flavor of the month conceptually in the development field) how this is to be balanced against private investment especially that by international companies? It is clear that one of the reasons that many international corporations invest in the developing world is that environmental standards, work rules, health and safety requirements are considerably lower than in Europe and even, as bad as it is, the US. What happens to sustainability in light of corporate investment? One need only to read the reports about the sweat shops and such in the developing world to realize that international investment and the private sector rather than bringing real development may just be adding to the problems of the suffering poor in the developing world.

And what is the notion of sustainability other than a defense of the status quo where those in the developed world consume at unreasonable levels and the rest of world is asked to save the planet. As China and India begin to consume, still at per capita levels lower than Europe or the USA, it is increasingly clear that the market driven, Western style of life is not viable over the planet long term.

So rather than assume the market forms, how about asking whether local and traditional economic practices might not work better? Rather than asking for private investment maybe we should ask the opposite and prohibit international private

investment in many local sectors of the economy? Rather than speak of sustainability, why not think in terms of lowering consumption in the developed world and redistributing the savings to others; not as tax credits as now discussed but in real terms of consumption? Why not think in terms of rural urbanity and the urban countryside. There are many more questions we can ask, I am sure. Many I have not thought of. But I suggest think of these questions we must; the appeal to realism in and of itself without examination should not be allowed to stifle the debate about these questions.

While I applaud the efforts of Norway in the effort to alleviate world poverty, I am suggesting that we pause and ask some significant questions: and to rethink so much of its underlying biases and prejudices. Asking questions, rethinking our development strategies may not only help us help those living in poverty. We might also help ourselves by seeing that the monies and resources that we put into such efforts are well used and that they are part of the development of well being in a developing world for which well being should finally be the basis of life and not some distant goal.

**Chris Williams** is the Acting Director of the Human Settlements Financing Division which is responsible for the management of the Sub-Program 4; the Work Plan of UN-Habitat.



## **Financing the MDGs: New Directors for Overseas Development Assistance**

### **Introduction**

The cost of achieving the MDG targets is grossly higher than the total available funding at present. Overseas development assistance plays an important role in financing the MDGs and increasing ODA is crucial. However, given the vast sums required to eradicate poverty, member states must harness alternative sources of finance. Domestic capital investment of institutional pension funds, individual investors, commercial and retail banks, personal savings, and insurance companies are a significant source of finance available in even the poorest countries of the world. Tapping domestic capital for shelter and basic services in cities is crucial. The need to promote these and other sources of finance suggests a new direction for multilateral and bilateral development cooperation. Governments in a position to do so need consider seriously the provision of carefully tailored technical assistance, loan guarantees, soft-loan facilities, and seed grants. Targeted in this way ODA can leverage additional resources that in combination with direct budget support can better assist member states achieve the MDG targets and eradicate poverty.

### **Financing Gap**

UN-HABITAT and the World Bank estimate that of the cost of financing target 11 of goal 7 -- to improve significantly the lives of at least 100 million slum dwellers by the year 2020 -- will require between USD 70 and 100 billion. UN-HABITAT estimates that the combined value of overseas development assistance, public and private investment in slum upgrading totals less than USD 5 billion. Based on these rough estimates it is clear that member states face a huge financing gap in their efforts to achieve target 11. The gap is even higher when one considers the fact that the target constitutes only a small fraction of the total number of slum dwellers worldwide, a figure set to rise from 1 billion to 2 billion persons by the year 2030 when the population of the world will for the first time be majority urban.

### **Sources of Domestic Savings and Investment**

Overseas development assistance (ODA) is a vital source of finance, one that governments in a position to do so have pledged to raise to at least .7% of their respective gross national product. This said, however, ODA alone, even if tripled, will

not fill the finance gap that confronts member states keen to achieve the slum target of the Millennium Development Goals. Also important for slum upgrading are domestic sources of capital that if mobilized properly can contribute significantly to financing affordable shelter and basic services in informal settlements of the developing world.

Domestic savings of the urban poor constitutes a significant source of financing for slum upgrading. In many countries of the developing world slum dwellers mobilize their own savings through savings associations, faith-based organizations, and cooperatives. While hard to quantify the combined savings of individuals and organizations operating in informal settlements is forceful. It offers not only an important element in financing slum upgrading but it also serves as a tool for the building of trust and cooperation – two key ingredients necessary for improving significantly the lives of slum dwellers.

As mentioned above domestic private investment in slums is negligible. However, the volume of domestic private investment in developing countries is massive. It is estimated that the annual value of domestic capital markets in Nairobi, Kenya alone is over USD 1 billion. Contrary to the popular assumption that capital leaves the South and ends up in the North, a significant proportion of capital accumulated in cities of Africa, Asia and Latin America remains there. Institutional pension funds, private investors, domestic financial institutions, insurance companies have enormous resources that if harnessed properly, can offer a huge source of financing for slum upgrading.

Also as mentioned above domestic public investment in slums is marginal. However, like private capital, the potential quantity of public investment in Africa, Asia and Latin America is significant. If properly mobilized, it too can offer a huge source of financing for housing and basic services in informal settlements. At the level of cities, property tax and levies on business offer a huge pool of revenues that if properly assessed and channeled, offer a source of financing for upgrading. Central governments revenues are as well an important source of finance for slum upgrading provided that these are consolidated. Public trusts that channel public investments of diverse sectors (health, education, public works, transport, lands and housing, local government) into a common pool dedicated for slum upgrading demonstrate that public funding is yet another important source of domestic investment.

### **Mobilizing Domestic Capital**

Individual and collective savings, institutional and private investment, and public (municipal and national) investment offer sources of financing for slum upgrading that can augment overseas development assistance. The challenge, however, is first to find ways to mobilize these sources of investment, and second, to package development initiatives in slums in ways that mobilize domestic capital specifically for the purposes of slum upgrading and that creatively combine the use of different sources of finance. Consider these in turn.

Institutional and private investors in most cities in Africa, Asia and Latin America have not as yet diversified how they invest their funds. Most wealth is invested in government paper (treasury bills) and in real estate. Few investors expand beyond

these options and invest in stocks, bonds or other equity investments. A major challenge of mobilizing domestic capital is therefore to develop alternative investment opportunities and promote these actively.

Commercial banks, wholesale lenders and retail mortgage banks are also fairly complacent in how they move capital. They tend to work exclusively with high-end clients, lend money only for the short term, and apply rigid requirements for lending. This is changing in recent years, however, in an era of low interest rates and high liquidity. Banks can no longer make profits the way they used to and are now exploring ways to lend to the lower end of the market, including mortgage financing. The difficulty banks face in mobilizing housing finance, however, is in obtaining long-term capital. They can not easily offer 10 to 15 year mortgages if their asset base is confined to short-term deposits. Mobilizing domestic capital therefore requires creative ways of securing long-term debt instruments, potentially by issuing bonds in the local capital markets that are underwritten by sovereign guarantees.

City governments of the developing world can potentially play a central role in mobilizing resources provided they have political support and the technical capacity to do so. Unfortunately, many municipalities lack the authority from central government to assess assets, collect revenues, or issue bonds on the local capital markets. Mobilizing resource generally, let alone for slum upgrading in particular, requires devolution of administration from central to local government and a concerted effort to build the capacity of civil servants working in local authorities.

### **Mobilizing Domestic Capital for Slum Upgrading: Packaging Development Projects**

The second step – to mobilize domestic capital specifically for slum upgrading – necessitates not only the above mentioned challenges of mobilizing domestic capital. It also requires repackaging development projects in ways that can attract capital and that can combine community savings, public investment as well as private investment.

Most development projects in slums are time-bound, proscribed to the parameters of an NGO, government or bilateral/multilateral development cooperation agency. As such, they lack a design that has built in from the beginning a strategy for long-term financing. Absent is a business plan that defines how land and infrastructure, and how housing construction and housing purchase will be financed. Also absent is a related plan confirming how the project will be operated with respect to professional services, and transparent contracting, procurement, and project execution. Pension funds, individual investors and banks require financial strategies and business plans for commercial operation of the projects for which investment is sought. Project packing is therefore a central feature in mobilizing private domestic capital for slum upgrading.

Private finance is only one part of the puzzle. Project packaging also entails integrating in one project design community and individual savings, public investment as well as private investment. Project finance is a complex process involving not only finance, but also facilitation and consultation among development and finance partners. That is, bringing together slum dwellers and their organizations, local

authorities, private utilities and line ministries on the one hand; and retail banks, wholesale lenders, pension funds, insurance companies, and micro-finance intermediaries. Projects designed in this way can channel community savings towards down payments for home improvement loans and mortgages, direct public investment to public infrastructure or partial subsidy towards loan down payments, and attract private investment to bond instruments for public infrastructure or long-term loans for housing improvement or purchase.

### **United Nations Habitat and Human Settlements Foundation and Slum Upgrading Facility**

In 2002, the General Assembly provided UN-HABITAT with a political mandate to develop financial instruments and package projects in order to mobilize resources for affordable housing and basic services. This decision was taken in an effort to enable the organization to better assist member states to finance the Millennium Development Goals, particular target 11 of goal 7. Specifically, the General Assembly transformed the Centre into a full Programme and called for the revitalization of the United Nations Habitat and Human Settlements Foundation, encouraging the organization to complement advocacy and technical cooperation with dedicated tools for mobilizing financing for slum upgrading and ensuring investment follow through.

In January 2004, UN-HABITAT established the Human Settlements Financing Division (also known as sub-program four), in order to anchor the Foundation institutionally and provide it with an operational platform to assist member states mobilize resources for their housing, infrastructure and upgrading initiatives. In October 2004, the Human Settlements Financing Division launched the first operational vehicle of the Foundation known as the Slum Upgrading Facility (SUF) as a three-year pilot. SUF operates at city level to support the efforts of governments, the private sector, and slum dwellers to package their upgrading initiatives in ways that attract private capital in combination with community savings and public investment. SUF offers technical assistance and seed capital, including modest credit enhancements, and links local actors to sources of regional and international expertise through referral services, dissemination of best practices and peer exchange. Operational in selected cities in Asia and Sub-Saharan Africa for the initial three-year pilot, SUF gives priority to local actors that demonstrate a commitment to finance projects from the perspective of the urban poor. Affordability and participation in SUF-supported projects are as important as transparency and commercial viability.

### **New Directions for Overseas Development Assistance**

This brief presentation on financing the MDGs urges governments in a position to do so to re-examine how they provide overseas development assistance. Three guiding principles for ODA are domestic capital mobilization, leverage and diversification of support. The sheer magnitude of improving the lives of 100 million slum dwellers, let alone 1 or 2 billion urban poor, requires thinking critically about how to combine ODA with domestic capital. Pension funds, insurance companies, banks, and private investors constitute a significant source of finance that if tapped can help member states achieve target 11. Revenues that are raised through city governments and central governments are also an important source of financing for housing and infrastructure in slums, provided political will and technical capacity are in

abundance. Community organizations and individuals living and often working in slums can mobilize savings that if properly harnessed, can help to finance slum upgrading.

Governments can orient development assistance to help member states and local partners to mobilize domestic capital in a number of ways. The first is to ensure that ODA leverages community savings, private capital and public investments – rather than displace or compete with these sources of finance. ODA needs to be situated strategically to accelerate ongoing processes that are mobilizing domestic capital. Specifically governments in a position to do so can:

1. On the occasion of bilateral consultations about direct budget support, consider ways of establishing trust funds dedicated to slum upgrading that pool national budget funds from diverse ministries and sectors, augmenting these with ODA.
2. Target program support to urban development, assisting governments to devolve administrative authority to city governments, build capacity of local authorities, provide security of tenure to slum dwellers, and promote policy and legislative reforms that enable private sector investment in housing and urban infrastructure
3. Offer local currency, partial loan guarantees to domestic financial institutions that demonstrate commitment to invest in slum upgrading projects
4. Provide financial intermediaries with technical assistance, equity investments, and seed capital so that they can facilitate lending between private banks and slum dwellers
5. Support Norwegian housing banks and cooperatives to undertake peer exchanges to share experiences with their counterparts in Africa, Asia and Latin America
6. Offer grants to international movements of slum dwellers and supporting NGOs
7. Provide assistance to international technical assistance and seed capital facilities such as the Slum Upgrading Facility, and international and national finance facilities.

**Rajivan Krishnaswami** entered the Cities Alliance a few years ago due to his financial skills and his practical experiences from his home country India.



## **Empowering Cities to Finance Infrastructure**

### **Where we are today: the Needs**

- ❖ Huge infrastructure backlog, especially in environment enhancing, urban amenities, such as water, sanitation and solid waste management.
- ❖ Globally, 900 million people are in urban slums, an estimated 1 billion do not have access to adequate water and 2 billion to sanitation.
- ❖ Regional trends indicate that Africa has 38% of its population unserved by safe water and 40% by sanitation, Asia 19% and 52%, Latin America 15% and 22% respectively.
- ❖ Camdessus report has estimated an annual investment of USD 17 billion for water, and USD 32 billion for sanitation – the scale of the problem renders the imprecision of estimates largely irrelevant.

Clearly, cities, home to most of the urban poor need to be empowered to leverage budgetary resources with domestic capital and invest in infrastructure.

### **Where we are today: Cities and Global Trends**

Meanwhile, cities across the developing world are coping with the impact of three major historical trends:

- ❖ *First*, globalization, requiring quality infrastructure to attract investment, stimulate growth and employment.
- ❖ *Second*, decentralization, increased responsibility for costly infrastructure, often not matched by devolution of powers – regulatory, financial and administrative.
- ❖ *Third*, the increasing flow of poor people whose contribution to the economy is rarely matched by their access to basic infrastructure.

### **Where We are Today: Investment Trends**

- ❖ Public Expenditure still accounts for around 70% of funding for infrastructure.
- ❖ As a share of GDP, spending on infrastructure is considerably below the 1970s level.
- ❖ Bilateral and multilateral ODA commitments for infrastructure have declined, both in absolute terms and as percentage of total commitments.
- ❖ Private Sector Funding has fallen since 1997, instead of compensating the declining ODA and public funds as expected.

## Where are We Today: Trends in Bilateral ODA

- ❖ Overall downward trend in bilateral ODA commitments for infrastructure.  
US \$ 15 billion (1996) → US \$ 8 billion (2002)

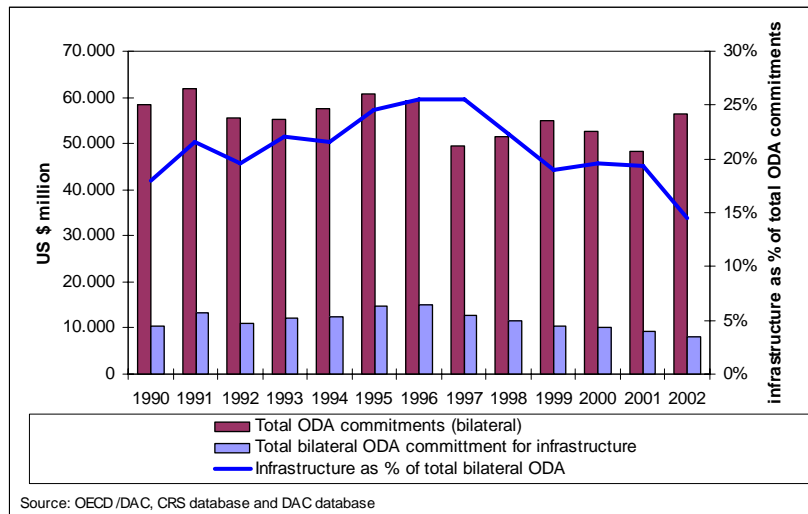
- ❖ Decline in relative share of infrastructure allocations to total ODA commitments.  
1997: 26% → 2002: 14%

- ❖ No uniform trend among bilateral donors – increasing as well as decreasing relevance of infrastructure in donor portfolio.



## ODA Commitments for Infrastructure

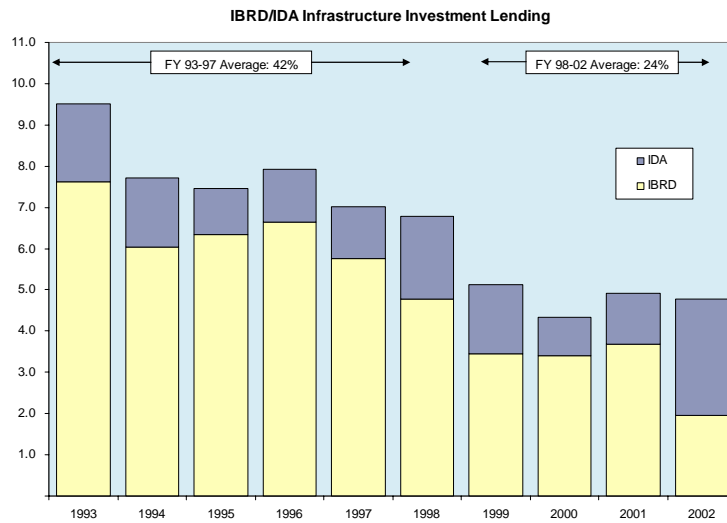
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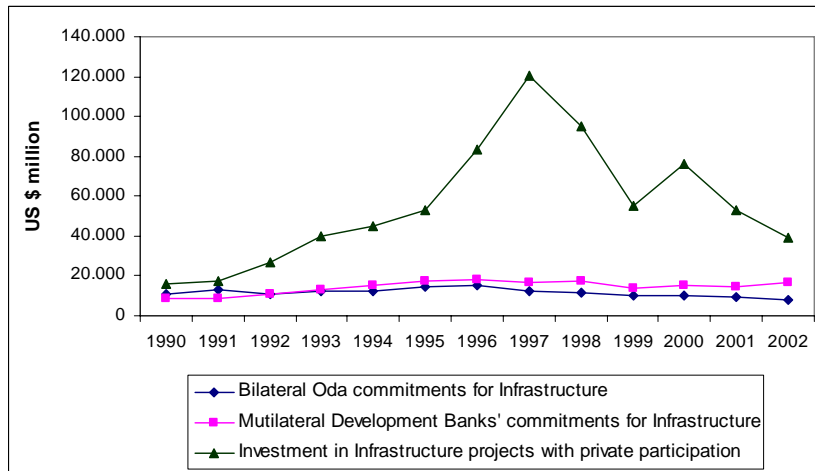
## Infrastructure Investment Lending of WBG - Declined

CITIES ALLIANCE



## Trends in Private Sector Investment also Down

CITIES ALLIANCE



## **Meanwhile, Our Commitments:**

### **Mandate MDG 7 target 11:**

***”achieve significant improvement in lives of at least 100 million slum dwellers”***

- ❖ Endorsed by 147 Heads of State in Millennium Declaration of Sept 2000.
- ❖ Target 11 listed under Goal 7 *environmental sustainability*.
- ❖ Two official indicators for Target 11:
  - ❑ Proportion of people with access to improved sanitation.
  - ❑ Proportion of people with access to secure tenure.
- ❖ MDG Target 11 monitored by UN-Habitat.

## **Can We Begin with an Agenda?**

### **Given these trends:**

- ❖ Growth with equity requires city governments to be proactive developers of urban infrastructure rather than passive service providers.
- ❖ This transformation cannot occur without empowering cities with authority to local governments to raise resources, create and maintain infrastructure and pay for their costs over time.

### **Urban reform agenda should include:**

- ❖ City development strategies, investment plans with pricing policies based on the consent of the governed.
- ❖ Mainstreaming the needs of the urban poor into on-budget investments.
- ❖ Creation of sustainable financial structures which link domestic capital markets with city financing needs.

Surveys of global trends indicate that sustainable financing need policy actions which are based on partnerships between cities, national governments and their development partners.

## **Urban Finance:**

### **The Traditional Situation**

#### **Traditional Financing:**

- ❖ City get debt/grants from governments/government owned financial institutions on basis of guarantees.
- ❖ Project Implementation by Parastatals/Cities with no clear duties and responsibilities for servicing debt or asset maintenance.
- ❖ Underinvestment in Urban.
- ❖ User charges rarely covering even O&M.

#### **Usually resulting in:**

- ❖ Drying up of institutional sources based on state guarantees on account of ceilings on national liabilities.

- ❖ Limited low cost / equity / grant type funds.
- ❖ Excess supply of commercial funds including multilateral.
- ❖ Little impact on urban poverty.

### **Recent Innovations - Linking Cities with Domestic Markets**

Since the 1990's, innovations underway to move towards sustainable financing by leveraging domestic capital. Some stylized facts:

- ❖ Larger cities with medium-term investment plans have repeatedly accessed local markets, establishing a credit relationship with the private sector – Joburg, Ahmedabad, Ho Chi Minh City.
- ❖ Smaller and medium cities mobilized domestic capital through intermediaries – Colombia-Finder, South Africa-INCA, India-TNUDF.
- ❖ Serious efforts to provide a greater domestic market orientation for municipal intermediaries – CAIXA-Brazil, MDFO-Philippines, FEC-Morocco.

### **Linking Cities with Domestic Markets - Lessons Learnt**

Viable urban financing strategies usually need:

- ❖ Rational and predictable devolution largely formula based as in South Africa, India, Mexico.
- ❖ Legal frameworks for borrowing, such as The Municipal Finance Management Act (MFMA) in SA, Urban Local Bodies Act (Tamilnadu), Master Trust Structure (Mexico).
- ❖ Domestic market oriented financial intermediaries working with cities such as DBSA, INCA in S. Africa, TNUDF in India and Dexia in Mexico.
- ❖ Fiscal space allowing affordable long term interest rates for financing city infrastructure.

### **Lessons Learnt and Way Forward**

- ❖ Experience suggests the need to support:
  - ❑ A regulatory framework, specifying parameters of financial decentralization-revenue streams from higher levels of government are formula based, and their assignability well articulated in law.
  - ❑ Management systems including accounting practices of cities which allow disclosure of dues to and dues from others.
  - ❑ Well developed pipeline of investments with tariffs structures grounded in community acceptance so as to withstand political cycles.
  - ❑ Project management capabilities so that assets can be created quickly, minimizing the implementation gap enabling user charges to be levied to service debt.
- ❖ Experience also suggests the need for differentiated policies to address demand and supply constraints to the flow of domestic finance for cities.

## **Urban Finance Framework:**

### **A Suggested Typology**

- ❖ *Type 1* – Where the domestic debt markets are yet to mature and the devolution framework weak – Assist cities in loan-grant blends while improving the devolution system – Bangladesh, Kyrgyz, Kenya, Tanzania.
- ❖ *Type 2* – Where debt markets are still nascent or constrained by fiscal space, but devolution more secure-work with domestic financial institutions to lengthen maturities and reduce transaction costs – Brazil, Philippines, Colombia, Pakistan...
- ❖ *Type 3* – Markets have begun to mature, and devolution secure, provide instruments to link city financing needs with domestic markets, especially for small and medium cities – South Africa, India, Mexico, Russia...

### **Cities Alliance – Recent Initiatives**

- ❖ Assist in market making transactions where such opportunities exist – China, India, Peru.
- ❖ Assist existing Municipal funds develop a sustainable domestic orientation – Brazil, Philippines, Colombia.
- ❖ Assist the more effective leverage of existing government grants – Bangladesh, Kyrgyz, Ghana.
- ❖ Use the MFTF to develop a typology of policy responses conditioned by macro and micro factors which can be used by Alliance partners.

### **Cities Alliance – Finance Strategy**

- ❖ Assist cities in financial stocktaking as part of the CDS and Slum Upgrading process to enable cities to plan their financing strategy for priority investments.
- ❖ Provide a menu of services through the MFTF for City Governments and UCLG to engage with domestic credit.
- ❖ Share learning experiences of raising, servicing and accounting for debt.

### **Role of Multilaterals**

- ❖ Multilaterals as facilitators for private capital to finance public assets.
- ❖ Allow domestic institutions to integrate cities financing needs with national debt markets / commercial lending.
- ❖ Work with cities and national governments in identifying a rational, predictable devolution of powers and revenue streams.

This would provide greater leveraging of scarce multilaterals financing.

## Closing remarks

Peer Nygaard, Director General, The Ministry of Local Government and Regional Development.

Peer Nygaard closed the conference by thanking all the speakers and participants. He gave special thanks to Anne Lise Syvertsen for chairing the World Habitat day Conference 2005.



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## Information about Habitat Norway

Habitat Norway is a Norwegian nongovernmental organisation with the overall aim of promoting interest and awareness of settlement issues around the world.

Habitat Norway was founded in 1988 as a result of the activities carried out during the International Year of Shelter for the Homeless. Habitat Norway was established in order to put settlement issues on the Norwegian Development Policy Agenda.



Habitat Norway has the following tasks and concerns

- To give assistance in developing planning policies and proposals
- To focus on sustainable development in planning of infrastructure
- To assist in the use of safe and sustainable local building materials and methods, where appropriate
- To focus on construction using appropriate technology
- To ensure communication between grass roots and administration in self help projects
- To focus on long term administration and maintenance of dwellings and their associated service facilities
- To ensure recruitment of architects, sociologists and planners for development work

Habitat Norway is attached to the Norwegian Branch of International Federation of Housing and Planning. The organisation is a member of Habitat International Coalition. The organisation is open to all professionals; it has members representing many different disciplines such as architecture, engineering, sociology, human geography and social anthropology.

The activities consist mainly of lectures and seminars, sometimes in cooperation with other organisations. Habitat Norway arranges a seminar in October each year in celebration of the World Habitat Day.

Membership costs NOK 420 per year (2006), and includes subscription to the bimonthly periodical "Plan".

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