

OPERATIONALIZING THE URBAN STRATEGY

129. The previous sections of the strategy reviewed recent urban developments against five thematic areas that define the Bank's business lines and intervention strategies with respect to policy advice, analytical work and investment lending. Lessons learned over the past decade based on a review of urbanization trends, key challenges and performance issues for local governments, and operational interventions within the Bank's urban development portfolio will help shape the new urban agenda for the decade ahead.

130. An important consideration to bear in mind is that the Bank's total Urban Sector Board lending of about US\$40 billion since 1972 is rather insignificant in addressing all or even a substantial portion of the investment needs of cities and urban settlements. Indeed, the Bank's financing contribution could easily be absorbed by the balance sheet of a major city in a period of 4-5 years. It is therefore critical to understand the Bank's role in supporting urban development in client countries as one that is catalytic. As a catalyst, the Bank can help by sharing and disseminating knowledge and helping national and local governments put into practice key policies and institutions that will enable them to manage the urbanization process better in the years to come. Bank financing can be used to leverage financial resources from other development aid agencies, bilateral donors, global facilities, and, most importantly, the resources available within the countries where we are engaged, whether from the national, state or local governments in the public sector, or from the private sector.

131. Similarly, urban development knowledge and good practice experience is diffused and spread across regions and countries, public and private sector agencies, NGOs, and development partners. Within this context, the Bank views its role as that of a facilitator, a co-generator of knowledge, and, at times, a knowledge broker. This approach is consistent with the Knowledge Management Group's strategy for the Bank.

132. Drawing on the lessons learned over the past decade, this Urban Strategy aims to build on areas where important development outcomes are being achieved while refining approaches and instruments to expand impact. Table E-5 (Annex E) attempts to capture the results of the stocktaking by identifying key issues that the Strategy will need to respond to, combined with the Bank's action plan for the coming years. Each topic is then addressed with a more detailed description of the Bank's urban strategy approach within a framework of four building blocks: (i) Knowledge Product Development & Dissemination; (ii) Investment Strategies; (iii) Partnerships (both within and outside the Bank); and (iv) Results Management.

Providing strategic direction for the urban agenda.

133. *A new approach to urbanization.* As noted in the lessons learned section, urban issues and urbanization remain somewhat marginal in many CASs. They appear to take shape as secondary or tertiary considerations and often reflect a "residual" of sector strategies and investments rather than a strategic guiding focus for how sector strategies can be aligned around urbanization as a phenomenon that has and will continue to shape development in client countries. The main thrust of this Strategy is to focus squarely on the imperative of responding to client demand for guidance in managing urbanization, while putting "the urbanization challenge facing the developing world more centrally in the Bank's corporate agenda." (QAG/OED) The centerpiece of this effort is the proposed new Knowledge Product – The Urbanization Review.

- *Urbanization Review (UR).* As a natural follow-on to the policy guidance of WDR 2009, the Urbanization Review is being developed as a new analytical approach and methodological tool to assist countries interested in understanding and responding to the urbanization

challenge. Rather than looking at demographic changes, economic growth prospects, housing sector issues, land management challenges, and transport linkages in isolation, the UR tool would provide a holistic and collaborative framework for the Bank to leverage its comparative advantage of using its wide range of in-house sector expertise to help client countries understand and respond to urbanization challenges. The UR represents a new flagship knowledge product that the Bank would pilot in selected countries to assess the prospects for urbanization and response strategies to address current impacts and projected demographic growth dynamics. Developed in response to strong growing demand for such an instrument among developing countries, the UR would be client-driven and represent the Bank's first attempt with client countries and development partners to review urbanization within a strategic, cross-sectoral, integrated analytical framework. The tool would also help in understanding dimensions of poverty due to informality resulting from rapid urbanization and lack of access to essential services, affordable housing, and secure land tenure. The UR would offer the following benefits:

- Provide an analytical tool responding to increasing client demand
- Improve response time based on up-front development of the methodology and analytical framework
- Enable cross-country and regional comparisons based on a core set of standardized data and indicators
- Facilitate cross-sectoral collaboration within the Bank through the formation of an Multi-sectoral Urbanization Team

The UR would be implemented in a modular format focusing first on data collection and putting in place a sound institutional foundation for collaboration across national, state and local government agencies. The second module would focus on the analytics, drawing on the agglomeration index developed in the WDR 2009, and the OECD methodology followed in their Territorial Reviews, among other tools. The third module would focus on an action plan and would likely comprise the main element of a national urban strategy. The modular format will allow implementation to move at the pace of the client in terms of their state of readiness and availability of data.

Four Building Blocks for the Urban Strategy

134. Beyond the Urbanization Review, which cuts across all urban business lines and would be used at the highest strategic level, the Bank's Urban and Local Government Strategy would be implemented through a framework of the four buildings blocks noted above, which are briefly detailed below:

Building Block 1: Knowledge Programs, Product Development & Dissemination

1. Urban Knowledge Agenda. Rapid urbanization and its consequences for the urban poor has created new realities on the ground that need to be better understood, documented and analyzed. The urban knowledge agenda is structured around four activity areas: (i) the Annual Research Program of the World Bank's Urban Anchor; (ii) the new Scholar in Residence Program; (iii) the Urban Knowledge Network of Universities and Think-Tanks; and (iv) the bi-annual Urban Research Symposium. Each of these program areas serve to underpin the Bank's urban development work and its collaborative work with donor partners.

- The ***Scholar in Residence Program*** seeks to provide opportunities to leading edge scholars in various areas of urban development to spend a sabbatical year working with

Bank staff at the Urban Anchor in research and with the regions in operations to bring the vantage point of an external perspective and strong analytical skills.

- ***The Urban Knowledge Network of Universities and Think-Tanks*** is an existing network of researchers that would be expanded to include institutional affiliations built around the need to exchange views, organize topic-focused research teams, host workshops and enable collaborative approaches to learning and knowledge generation between the Bank and a variety of partner institutions. These partnerships can extend beyond direct or collaborative research initiatives themselves to include capacity building for research institutions in developing countries on critical areas of urban development. Partnership opportunities have already been identified with the University of Southern California, the Norwegian University of Science and Technology, and Massachusetts Institute of Technology with the aim of further expansion and roll out.
- The Bank's Urban Anchor also hosts a bi-annual ***Urban Research Symposium*** that involves a myriad of partnerships with donors, research institutions and sponsors around a topic of critical interest to cities and urban development researchers and policy makers. In FY09, the URS in its fifth generation, addressed the topic of Cities and Climate Change. The 2007 URS focused on Land Policy and Practice and the publication of its findings and results will be issued in FY10. (The URS for FY 11 will be on Harnessing Urbanization for Development – Fostering Smart Cities)

2. Knowledge Products & Programs. A range of Knowledge Products and Programs are considered in this strategy as a response to client demand and to address deficiencies identified in the stocktaking exercise. Some are new, while others have been in development and are now coming on line. The main activities and products are outlined in Annex C and are briefly summarized below: (i) Global City Indicators Program (GCIP) has been piloted and is now in its roll out phase and provides cities with an performance measurement framework to support cross-comparisons and benchmarking; (ii) The Greenhouse Gas (GHG) Index for Cities, proposed for development, will enable cities to measure their carbon footprint and can be a basis for attracting carbon financing; (iii) the Urban Planning Audit Tool builds on past practices but focuses in a more standardized way on assessing a city's urban regulations in terms of whether or not they are keeping pace with urbanization; (iv) Urban Risk Assessments will provide a basis for improving targeting of the poor and other vulnerable groups within cities due to exposure to climate change risks, inability to access services and other factors; (v) the Urban ICT Toolkit is intended to provide cities with knowledge about the latest application of information technology solutions for cities that can improve efficiency, management and accountability; and (vi) Development Marketplace – Innovative Cities Theme is under discussion with WBI as an event that would promote the profiling and exchange of innovative initiatives undertaken by cities that can be replicated in other emerging market cities.

Building Block 2: Financing Strategies. Financing strategies for urban development will need to address the financial circumstance of the local government, impact of the financial crisis, and quality and coverage of infrastructure services. The Urban Strategy response will include four different financing approaches addressing (i) short-term counter-cyclical financing needs; (ii) commercial-based lending through the Subnational Finance Program; (iii) wholesaling approaches involving Development Policy Lending and Municipal Development Projects/Funds; (iv) leveraging strategies to attract concessional finance from global facilities; and (v) increased use of Public-Private Partnerships (PPPs) and improved credit enhancement of urban investment, as further detailed below.

- *INFRA Platform & Short-Term Counter-Cyclical Financing Options.* Short-term measures will need to include consideration of countries that are facing economic and financial distress and where local governments and economies are facing dire consequences of the global economic and financial crisis. In such circumstances concerns about maintaining existing urban infrastructure assets is clearly warranted. Accordingly, the Bank has developed an Infrastructure Recovery and Assets (INFRA) Platform which includes diagnostic tools for urban infrastructure to address critical infrastructure backlogs, to ensure appropriate expenditures for operation and maintenance can be maintained, and to support existing PPP and other contractual arrangements with the private sector which may be in jeopardy because of the crisis. The INFRA Urban Diagnostic Tool helps countries and cities determine priority investments to (i) maintain the foundations for longer-term growth, (ii) prevent accelerated and premature asset depreciation, , and (iii) create short-term work opportunities and social safety nets for workers who have been displaced by the impacts of the crisis.
- *Sub-National Finance Program.* The Bank Group's Sub-National Finance Program (SNFP) is a three-year (FY07-09) pilot program, approved by the Bank and IFC Boards on August 6, 2006 and is currently under review. SNFP enables the Bank Group to invest and lend without sovereign guarantees for the first time to municipal and regional governments, their public utilities, development finance institutions, and selectively to national level public enterprises that provide essential infrastructure services. The initiative includes a financing window managed by a joint department, the Sub-National Finance Group (CSF), which books all investments on IFC's balance sheet. See Annex G, Profile 16 for further details.
- *Wholesaling Instruments.* Municipal Development Projects (MDP) remain the Bank's principle instrument for providing financing to countries seeking to support local governments. These instruments when used in a wholesaling approach have been performing well. Their aim generally is to provide financing for priority infrastructure, coupled with reform and performance incentives that in many cases aim at bringing local governments to market-based finance over time. Their efficacy is dependent on a well-defined reform program or set of performance measures often within a framework of a national strategy for local government reforms. Municipal Contracts and Performance-based Grants have been used effectively in some cases in securing national and local government agreements on *ex ante* and *ex post* reform and reward measures. Other wholesaling instruments include Development Policy Operations, which have been used effectively in the housing and land sectors, with solid waste developing as a new sector policy area.
- *Leveraging Global Facilities.* As part of its partnership strategy the Bank will seek to expand its ability to leverage global facilities with concessional finance for client countries. There are an increasing number of urban operations that have tapped into the Carbon Finance Facility (solid waste, air pollution, and urban transport sector), and likely a very large and growing unmet demand. GPOBA funds could be further mobilized in attracting private sector investment to extend services to the urban poor, and programs such as the Energy Efficient Cities Initiative of the Energy Anchor and ESMAP provide small grants to cities willing to try innovations in technologies and methods to reduce energy consumption and increase efficiency. Partnerships with Cities Alliance (CDS grants) and GFDRR for disaster risk reduction have expanded in recent years and provide important upstream, pre-investment technical assistance and institutional capacity building that can be leveraged by Bank investment financing.

- *Strategies for increased PPP and improved credit enhancement of urban investment:* The role of public private partnerships as a strategy to develop urban solutions can be further promoted through the use of the World Bank’s credit enhancement instruments such as Policy Based Guarantees or Partial Risk Guarantees. These guarantee instruments may be a component of a supportive urban development policy framework for example when a government announces that such support is available before the tender for a light rail, or for compliant bus transport service providers. See Annex G, Profile 17, which profiles a World Bank Group (IDA/IFC) railway concession project in Kenya/Uganda.

Building Block 3: Partnerships. This Strategy recognizes that knowledge and learning takes place across a wide geographical space and a range of institutions. In this context, the Bank increasingly views itself as a “co-generator” of knowledge and a “knowledge broker,” with a global reach across the developing world that can facilitate the exchange, transmission and dissemination of urban development knowledge and good practice. To do so, the Urban Anchor in conjunction with Regional Urban Development Units and WBI, have forged partnerships with both north and south institutions and agencies and will expand on this foundation in the coming years through the Urban Strategy implementation phase. Partnerships are considered in both an internal and external dimension.

Internal Bank Partnerships: Modalities for Enhancing Cross-Sectoral Collaboration.

135. This Strategy outlines a number of areas where cross sector collaboration is already underway or envisaged. The recent consolidation of a number of sectors into the Sustainable Development Network (SDN) helps to facilitate engagement across Sectors and Departments, such that social and urban teams are collaborating on several new programs and initiatives (A Guidance Note on Social Analysis in the Urban Sector, Urban Governance Programs, Urban Poverty, Land and Governance issues). This collaboration extends across other sectors and thematic areas as well: Transport (urban transport projects, Freight transport Policy Toolkit, Urbanization Review); ARD (Urban Agriculture, Watershed Management, Local Development, Urban-Rural Linkages); Water (is perhaps the area of greatest collaboration given that all but one of the regional urban units are jointly structured with water and sanitation specialists); Energy (ESMP/Energy Anchor Energy Efficient Cities Initiative); Legal (Legal Frameworks governing the local government sector) and Environment (Climate Change project screening mechanism, City-level GHG Index).

136. Across other networks client demand is also fostering new collaborative efforts with PREM (subnational PEFA implementation, design of a new Decentralization Performance Assessment Tool, urban poverty analysis, and growth analytics), and HD (health delivery systems to the urban poor; education linkages to the urban growth agenda and specially targeted programs for the poor; and social protection, including conditional cash transfers and other social safety net interventions). A detailed matrix is presented in Annex E (Table E-6) that outlines the urban sector strategy linkages and intersection with other WBG sector units and strategies.

137. ***Using Thematic Groups to promote cross-sector collaboration.*** These partnerships are formally supported by the Urban Anchor through its five Thematic Groups, all of which are cross-cutting, multisectoral themes that draw members from across the WBG. The Urban Thematic Groups are: Urban Poverty; Urban Land and Housing; Urban Economics & Local Economic Development; Cultural Heritage; Urban Management, Finance & Governance; and Urban Environment and Climate Change. Typically Thematic Groups are communities of practice through which professionals with interest in different thematic areas attend presentations, lectures and events of a cross-cutting thematic nature. Examples include joint workshops with ARD (Urban Environment) and PREM (Decentralization, Subnational Finance).

138. ***Working with IFC/FIAS teams.*** Urban teams also work on cross-cutting issues with IFC and FIAS. Currently a subnational ICA study is being carried out in Latin America with joint sponsorship of IFC and the Urban Anchor. Subnational Doing Business and ICA Assessments are key WBG products that inform local economic development strategies implemented in client countries with the support of urban teams. The Subnational Finance Program markets its services to regions in part through urban teams.

139. ***World Bank Institute.*** WBI is in the process of formulating its new unit strategies following reorganization, and Urban is one of three key sub-thematic areas. Alignment of areas of business lines and activities have been discussed and agreed and joint work programs through regional Urban Hubs in Singapore, Marseille, among other venues are either agreed or in the process of being finalized. A joint Urban Governance Program is underway, as well as discussions to develop a Development Marketplace Program on Innovative Cities.

140. ***Global Facilities hosted at the Bank can play a key role in urban development but have not been fully exploited.*** Several global facilities offer knowledge products, technical assistance, financing and services that complement the work of the Urban Anchor and regional urban teams. These facilities for the most part have emerged over the last decade and provide a vital link to development partners who sit on governing committees and provide critical financing. They include the Private Participation in Infrastructure Advisory Facility (PPIAF), which features a special window for subnational governments and SOEs (Municipal Finance Technical Assistance –MFTA) that supports local governments in carrying out shadow credit ratings and strengthening financial management and planning capacity; the Global Program for Output-Based Aid (which offers concessional financing with explicit subsidies to private sector and other service delivery entities targeting the poor); the Global Facility for Disaster Risk Reduction (GFDRR), which provides vital technical assistance and financing to national governments and cities in preparing for and responding to disasters; and Cities Alliance, which is further detailed below. With the exception of Cities Alliance and GFDRR, greater focus will be needed in sharing information about the programs and support facilities of these Global Facilities with urban clients. This would be achieved through development of new urban development practice materials, following issuance of the Urban Strategy that profile the wide range of World Bank Group and Global Facility services.

141. ***Formation of a Multi-Sectoral Urbanization Team.*** Taking into account the broad-based nature of urbanization and expertise required to provide sound policy guidance, there is an evident need to create a formal mechanism to enable cross-sector collaboration within the Bank. The Urban Anchor has proposed the formation of a Multi-Sectoral Urbanization Team (MSUT) to support the design and preparation of its new Urbanization Review Diagnostic and to assist with the piloting stage. The team would comprise Bank expertise in areas such as fiscal policy, urban policy, transport, land-use planning, housing, and poverty among others. Over time, and if there is sufficient demand and a sound business case to do so, the MSUT could be mainstreamed as a Global Expert Team.

External Partnerships: Expanding the Frontiers of Partnership

142. Until recently, the Bank's external partnerships in the urban development arena were not particularly active at the apex level. Co-sponsorship of events took place but often as a one-off arrangement, such as sponsorship of the Urban Research Symposium, and without greater programmatic coordination. Beginning in 2008 in the context of launching preparations of the new urban strategy, several donors and development partners were consulted on the Bank's urban development work and areas for collaboration have been identified. Several partners have recommended establishing more structured, formalized dialogue on a programmatic basis and meeting at least annually to discuss such programs, both joint and in parallel, with the aim of

coordinating strategies and approaches. These partnerships have begun to take shape again with traditional partners (AFD/France, KFW and GTZ/Germany), as well as with new partners (Norway and Sweden, among others). One area in which these partnerships are moving forward is in the Marseille Urban Hub (see below). Partnerships will be developed to design and fund joint programs and activities, knowledge tools, and learning events with the aim of developing strong North-North, South-South, and South-North collaboration. They will also build upon ongoing collaboration with multilateral development banks, e.g. the Asian Development Bank, Inter-American Development Bank and the African Development Bank.

143. **Cities Alliance (CA)** is now in its 10th year of operation. Conceived as a vehicle for promoting deeper global development agency and city collaboration, it is now a mainstreamed organization assisting cities across the developing world. CA has supported over 100 city development strategies over the past decade in 48 countries, of which some 11 are multi-regional in nature. Several CDSs have been considered best practice, though some concern has been noted about linkages to follow up investments. WBI has launched a training program on slum upgrading and Cities Alliance has supported up to 91 upgrading programs through 2008, 83 of which were country specific and 8 multi-regional programs. The Bank's urban team is currently collaborating closely with CA on implementation of the UR pilots, developing national-scale approaches to urban slums, and mainstreaming urban environment in the CDSs.

144. **United Cities and Local Governments (UCLG)**. Special mention is needed for UCLG, which represents the interests of local governments on the world stage. UCLG's mission is to be the united voice and world advocate of democratic local self-government, promoting its values, objectives and interest through cooperation between local governments and within the wider international community. As the collective voice of local governments globally, UCLG at the apex and regional levels offers an important vehicle for sounding out local governments on a variety of issues. Within the Bank work program agreement in discussion with UCLG, surveying and providing input from local governments on the Bank's urban strategy, programs and various knowledge products and learning tools represents an important expected contribution. Beyond this, joint events, activities and knowledge product development are envisaged.

Knowledge Partnership Platforms

- **World Bank-Singapore Urban Hub.** In January 2009, the Bank signed a Memorandum of Understanding with the Government of Singapore with the aim of bringing together Singapore's recognized expertise in urban development, city management, and public administration with the Bank's global development knowledge and operational experience. The mandate of the new Urban Hub is to help practitioners by providing state-of-the-art advice and technical assistance focusing on practical solutions to major urban challenges. In the first year, five areas of practice and collaboration will be established relating to city management, city financing, urban design and climate change, and training programs. The Urban Hub will begin with the creation of a virtual knowledge network and develop and pilot advisory products for urban practitioners. The main regional focus of the Hub initially will be on East Asian cities.
- **Marseille Urban Hub.** The Marseille Urban Hub was established with the explicit purpose of extending the reach of WBI's support for urban development to the MNA Region. A recent initiative has been aimed at reorienting the Hub and its work program around specific urban programs, expanding the partnership platform to include other development agencies. Two areas are led by the World Bank (Urban Development Strategies and Cities and Climate Change). Others are being led by partners, such as the French Development Agency (AFD) and other French Government Agencies, and the European Investment Bank (EIB). In addition, given the focus on the MNA region, the Arab Urban Development Institute (AUDI)

will be a key partner. Three year programs have been agreed that would support analysis and technical assistance in the areas of: (i) urban land management, territorial and regional planning, urban planning, and strategic management of urban growth; and (ii) urban vulnerability to climate change, climate resilient urban growth, energy efficiency in urban systems, and energy efficient buildings. All of these thematic areas resonate well with the themes and focus of the urban strategy.

Building Block 4: Results Management

145. A renewed focus on results will require several actions over the coming years. The planning timeframe is five years when a Mid-Cycle Review would take place of the implementation of this Strategy. Within that framework, several specific actions are planned to be implemented. These include: (i) refining and updating the urban thematic codes (to ensure better tracking and monitoring of portfolio activities); (ii) developing new tools to enhance economic analysis of urban operations and sub-projects; (iii) development of core urban sector indicators; (iv) developing an urban database (building on the existing UGMI); and (v) conducting in-depth portfolio reviews to enhance project monitoring. The approach and key elements are further detailed in Annex A.

Human Resource Strategies for Urban Development

146. As part of its mandate, the Urban Sector Board completed a review of strategic staffing issues as an input to the Urban Strategy. There are 125 staff in the Bank today that are mapped to the Urban Sector Board, having increased steadily from 97 in FY05. This trend is in keeping with the overall increase in lending and analytical work during the corresponding period. Overall, the urban staffing profile is mature, with the highest percentage of staff (24%) aged 55 and above of all sectors in the Bank. Within the next five years a total of 19 urban staff (15% of the current total) will have reached retirement age, and the urban sector has the lowest percentage of GF level staff (22%) in the SDN network. This points to the need for recruitment of new urban staff to fill vacancies created in the coming five years. It also suggests the need for appropriate training and mentoring of new urban staff as they enter the urban professional stream in the coming period. In terms of staffing profile, most fall within the Urban Specialist occupational group (43%), with a growing number of Urban Economists (9%). Largely underrepresented are Municipal Finance Specialists who currently make up only 2 percent of all urban staff. Going forward, three of the six regions are seeking to bolster their staffing with Municipal Finance Specialists. Urban Economists remain in high demand and are expected to work on both the spatial and growth dimensions of urbanization. With respect to the climate change agenda and growing demand for solid waste management expertise, Urban Environment Specialists were identified as an area in high demand for recruitment.

147. Beyond these recruitment needs and taking into account this Urban Strategy's focus on urbanization as a strategic corporate priority, several measures are being explored to enable the urban family to broaden its skills base, including: (i) exploring potential recruitment across professional streams, focusing in particular on the PREM and PSD families with the aim of expanding policy-based approaches to urban development and greater attention to the growth agenda within the Cities and Economic Growth business line; (ii) development of a core training program with WBI for incoming junior staff, coupled with field-based exposure visits to cities with solid urban planning and management good practice - partnerships with the city of Curitiba and Singapore are an example; (iii) formation of a Multi-Sectoral Urbanization Team and developing training and orientation programs for staff Bank-wide on topics of urbanization and spatial planning.

Budget Implications

148. The urban agenda set out above and related strategy framework will have budgetary implications. The first year of implementation will require modest additional resources to launch the strategy and ensure that it is effectively disseminated and communicated. This will underpin the earlier discussions with donors and help translate these into concrete joint programs of action. Initial indications have already been provided of interest in jointly designing, funding and implementing the *Urbanization Review* diagnostic tool and in supporting joint research and capacity building initiatives. Several bilateral donors have expressed interest in supporting specific programs with the launch of the new strategy, and there is a further aim of expanding the linkage with global partnerships in addressing the urban agenda, including such programs as the Energy-Efficient Cities initiative of ESMAP, the municipal finance technical assistance facility of PPIAF, and the Output-based Aid Program, in targeting the urban poor with infrastructure services. A multi-year program agreement is under discussion with Cities Alliance in the areas already agreed to be joint initiatives. The Bank is prepared to fully dedicate resources to upgrading its data collection efforts in support of the monitoring and evaluation systems necessary for improved results management.