

Chapter four

Requirements for Implementing the New Strategy

Expanding external and internal partnerships

The Bank has many external partnerships with bilateral, multilateral, and private organizations supporting the urban agenda. But the new strategy requires stepping up efforts to mobilize funding and broad external support, particularly to undertake city development strategies and scale up programs for providing services to the urban poor. To provide financial support and worldwide knowledge sharing in these two critical areas of action the Bank and the UNCHS have formed the Cities Alliance as a grant-making facility. A new partnership of development agencies and cities, the Cities Alliance aims to catalyze the replication and institutionalization of activities in the two priority areas to foster greater coherence of efforts. The Cities Alliance was formally launched by the heads of the Bank and the UNCHS in May 1999. Continued enthusiastic leadership by the Bank's management will be needed to attract wide participation by the donor community and other external partners.

The new strategy also calls for establishing and strengthening alliances across units of the Bank and the International Finance Corporation.

The Cities Alliance

The Cities Alliance will be administered as a multidonor partnership with a secretariat residing in the Urban Anchor and Urban Partnership of the World Bank's Transportation, Water, and Urban Development Department, with lead staff seconded by the UNCHS. A consultative group governance structure will be established with the participating agencies during 1999. The grant facility's target for the initial three-year period (1999–2001) is \$40 million, of which almost \$4 million has been pledged by the Bank and the UNCHS. The target for the first year's tranche is \$10 million. Many donor agencies have expressed interest in contributing directly to the trust fund.

Although formal preparations for the Cities Alliance began only in late 1998, lead-in activities in a first cohort of cities started in November 1998. In the first quarter of 1999 extensive discussions were conducted with donors and potential clients to assess interest and to seek funding commitments. A Development Grant

Facility grant of \$825,000 was approved in fiscal 1999 to fund preparatory activities for city development strategies in several cities under the Urban Management Program's ongoing City Consultations program, and a follow-up grant to continue the Urban Management Program's work in building regional capacity for participatory strategies has been obtained for fiscal 2000.

To help implement city development strategies, the Cities Alliance will make funding available for:

- Selected cities to formulate and apply city development strategies, by engaging local stakeholders in consensus building, diagnosis, and definition of strategy and action plans
- Selected local authorities to create investment financing strategies with interested donors, potential private investors, and financial sector partners to finance implementation of their city development strategies
- Mobilizing city-based resources, building capacity, and sharing the knowledge acquired in formulating and implementing city development strategies with the broader urban community worldwide.

To help scale up programs for improving living conditions for the urban poor, funds will be made available for:

- Identifying and preparing citywide or nationwide programs of urban upgrading
- Helping selected countries and cities strengthen their enabling policies to ensure the sustainability of these programs
- Establishing consensus with national and local stakeholders, creating productive alliances among interested donors, and supporting the mobilization of domestic resources
- Raising awareness and creating and disseminating a global base of knowledge and best practices in scaling up urban upgrading programs.

During the first three years the Cities Alliance plans to introduce city development strategies in at least 20 cities and to launch national or citywide slum upgrading programs in five to seven countries. Through the Japanese Trust Fund, the Japanese government has committed funding for 13 city development strategies in Asia (one city each in China, Indonesia, Thailand, and Vietnam, two cities in Bangladesh, and seven secondary cities in the Philippines) in 1998–99, and a regional seminar was held in Tokyo in July 1999 to share the experiences and results of these cases. In addition, several city strategies are receiving support from Bank sector work budgets (Haiphong) and from ongoing projects (e.g., numerous small municipalities under the Ceará and Bahia Urban Development Projects in Brazil).

Internal cross-unit alliances

In implementing the new strategy, urban core staff and managers seek to engage Bank and IFC staff in other sector families and professional disciplines. It is desir-

able that these nonurban staff would become involved “upstream” in the national and city strategies and in urban sector work, which would provide the analytical frameworks for follow-up collaboration and for linking urban issues to the Country Assistance Strategy. Many points of common interest in urban and local government work are being pursued with the following units and professional groups:

- International Finance Corporation. In addition to financing investment and facilitating private participation in infrastructure, housing, and other urban services, IFC staff have worked with the Bank’s Municipal Finance Thematic Group on issues of subsovereign risk mitigation and on training in this area.
- Multilateral Investment Guarantee Agency. MIGA will also work closely with the Bank’s Urban sector staff on issues of subsovereign risk mitigation.
- World Bank Institute. The World Bank Institute is developing its strategy on urban and local government issues that cut across departments. A new core urban training course, a knowledge management Web site, and distance learning activities are under development as part of this urban strategy work. The World Bank Institute’s experience working with local municipal associations, training institutes, and other networks for knowledge dissemination will be an important input for the fourth leg of the Bankwide strategy, expanding assistance for capacity building.
- Development Economics Vice President. The Urban and Water Sector Board and Development Research Group managers have been reviewing urban research priorities to rejuvenate the Bank’s urban research program, in which this department will play an important role.
- Poverty Reduction and Economic Management Network (PREM). Because national economic policies often need to be implemented locally or are affected by local policies and regulations, close interaction between urban analysts and the macroeconomists in PREM’s Economic Management Group is essential. The group is also an important ally in work on reform of national and intergovernmental policies affecting sustainable urban development. PREM’s Urban Poverty Group is undertaking urban poverty analysis in collaboration with Regional staff and the Urban Thematic Group on Service Provision to the Poor. The Decentralization Thematic Group of PREM has active participation of urban staff and is closely associated with the Municipal Finance Group. The Public Sector Management, Subnational Regional Development, and Gender groups also focus on areas that intersect extensively with the urban agenda, and staff in these groups have participated in recent seminars with urban staff on common concerns. Collaboration is being pursued to implement at the local government level the new Bank strategy for institutional development and governance and the anticorruption action plan, spearheaded by PREM.
- Environmentally and Socially Sustainable Development Network. The Environment Department’s Urban, Industry, and Energy Group works closely with the Urban Development Unit and related infrastructure units on

urban environmental issues. Specific collaboration is under way in the current preparation of the Bank's environmental strategy and in the newly expanded Urban Environment thematic group. Urban staff also work with the Social Development Department on resettlement and social assessments. The urban and rural development families are exploring joint work on poverty reduction strategies in a few countries based on rural-urban development synergies. There is also scope for further collaboration with the Rural Development Group on decentralization and municipal development issues, land and property rights reforms, and food security.

- Finance, Private Sector, and Infrastructure Network (FPSI). The Private Provision of Infrastructure Unit of the Private Sector Development Department is an important partner for urban staff on issues of public-private policy frameworks and regulation of urban infrastructure. The department also has relevant expertise in microcredit, small enterprise development, and business regulation. In addition, its Business Environment Unit is collaborating with urban staff on competitiveness studies, and staff of the two groups prepared joint proposals for the Private Sector Development Exchange and Innovation Marketplace in 1998. The Financial Sector and Capital Markets Departments complement municipal finance work by focusing on related development of the banking system and financial sector activities necessary to urban and housing investment. The Transportation, Water, and Urban Development Department and Capital Markets Development are jointly supporting a global program to foster subnational access to capital markets through case studies, workshops and training, toolkits for enhancing creditworthiness, and advisory services. An exemplary vehicle of cross-unit collaboration, involving not only several units of FPSI but also other networks, is the Land and Real Estate Initiative formed in fiscal 1998 with a grant from the Innovation Marketplace as a training and knowledge management focus for these cross-cutting issues.
- Urban Transport. Managed in most Regions of the Bank as a subsector of transport, this activity depends on close interaction with Urban Development Unit staff on issues of municipal and metropolitan management, urban environmental analysis, motorization, and land use planning. The urban transport subsector strategy will be developed in collaboration with urban staff.
- Urban Water and Sanitation. This group and the Urban Development Unit are managed by the same sector board. Particularly close collaboration between the two will be needed to implement the strategic emphasis on scaling up sustainable basic services programs.
- Human Development Network. Common interests between this network and urban staff center on the capacity of local governments to assume responsibility for decentralized health and education services and social safety nets, and to address worsening public health problems, including those stemming from

drugs, violence, environmental deterioration, urban poverty, and weakening family and social support to children.

Strengthening the internal organization of urban work

The Urban Anchor in the Transportation, Water, and Urban Development Department serves a Bankwide coordinating and advocacy role for urban activities in the institution. It is guided in this role by the Urban and Water Sector Board, whose members include the Regional urban sector leaders. Thematic groups were created in fiscal 1997 as communities of practice to join Regional and Anchor staff in pursuit of knowledge management, quality enhancement of the portfolio, training and mentoring of staff, and internal and external partnerships—all aimed at improving the provision of products and services to clients. These thematic groups (originally constituted as Municipal Finance, Service Provision for the Urban Poor, Solid Waste Management, and Housing and Land Markets) have progressively expanded their collaboration with other networks and sector units in the Bank, and the Housing and Land Markets Group has been effectively merged into the cross-network Land and Real Estate Initiative.

To implement the new strategy, more integrated alliances are forming so that the thematic groups can address the broader topics of urban environment and urban poverty through more explicit cross-network collaborations. Alternative arrangements are being explored during the business planning and budgeting discussions to ensure that cross-cutting issues of urban governance and management and urban economic development (including city competitiveness) receive consistent attention and that staff and clients have adequate support for the new strategic products.

The Urban Partnership unit, created by the ESSD and FPSI networks in fiscal 1998 and managed as a wing of the Urban Anchor, initiates high-priority, cross-cutting urban activities that need nurturing as pilot ventures. In its first 18 months the Urban Partnership sponsored the strategy exercise, managed a prototype city strategy, funded initial preparations for the Cities Alliance and the Disaster Management Facility, established collaboration with the UNCHS Urban Indicators Program on capacity building for urban indicators, obtained funding from the Innovation Marketplace and from outside foundations for a Street Children Initiative, sponsored cultural heritage advisory work and pilot activities, and launched preparations for the major Competitive Cities Conference held in May 1999. The partnership also shepherded the transformation of *The Urban Age* journal into a major publication in six languages and with a global circulation of 40,000, sponsored several small research activities, and supervised the municipal technical assistance component of the DC Outreach Program. In addition, the partnership is supporting fund-raising efforts for the proposed Urban Research and Development Fund and for the global program for subnational access to capital markets. The Cities Alliance secretariat will be housed with the Urban Partnership.

Enhancing human capital and knowledge management

The new strategy will require supplementary skills and knowledge in areas of increased demand—through staffing, training, and knowledge management.

Staffing

Citywide strategy work requires mobilizing cross-disciplinary teams of staff, many of whom will come from outside the urban group, and a sufficient number of task managers who are core (“mapped”) urban staff. Slightly more than half the Bank’s regular urban staff are over 50 years old, and many of the experienced urban planners, municipal engineers, and financial specialists will be lost to retirement over the next decade. The urban strategy will require replacing many of these staff and acquiring others with knowledge and skills in new demand—in municipal management, governance and institutional analysis, real estate and land markets, urban economics, local economic development strategies, urban poverty, urban finance, and cultural heritage. Since the Regional urban strategies indicate continued need for a wide assortment of skills and disciplines, urban staff with specialized skills will have to be flexibly deployed across the Regions.

Training

The Urban and Water Sector Board and thematic groups have been carrying out regular training and mentoring of project staff to ensure continued improvement in portfolio quality. To the extent that limited budgets allow, clinics and seminars are being organized to disseminate experiences with new products, such as city strategies, and with collaborative financing arrangements with the private sector as these evolve.

Knowledge management

Since the strategy emphasizes an integrated view of cities and of urban issues within national development, urban knowledge needs to be mobilized and shared across disciplines in the Bank and with external partners. The Urban Anchor’s knowledge management team has been established to facilitate this process and to support the knowledge management activities of the thematic groups, the Regional urban units, and the Urban Partnership. The internal and external partnerships being given new impetus under the strategy will be major contributors and beneficiaries of the urban knowledge management effort. The planned knowledge management work program includes (pending budget allocations) developing a core knowledge base for the major urban subtopics, linked through an internal Web site and to external Web sites and databases; developing a knowledge-sharing network for urban practitioners, for example, a city development strategies workspace and links to the best practices networks of the UNCHS and other agencies; reinforcing the Urban Help Desk to provide additional services for internal and external clients; aligning World Bank Institute training and urban core courses with knowledge management services; and resuming an urban publications series.

Adapting the Bank's approaches to involuntary resettlement

Involuntary resettlement has become an increasingly pressing issue in many cities as population pressure and land market rigidities induce further encroachment on environmentally vulnerable lands and rights of way. Fair and sustainable resettlement programs need to be designed with due regard to citywide land market policies and conditions, not as neighborhood enclave activities, since displaced households will often become squatters elsewhere. The costs and availability of alternative housing sites, access to employment, and security of tenure are key considerations for the welfare of resettled households and thus for workable resettlement programs. The recent efforts in the Bank to update and revise Operational Directive 4.30 have benefited from the participation of staff who are knowledgeable about the implementation issues in urban areas, and who fully accept the principles to be pursued and the need for realistic and practical guidelines for different types of urban operations.

Allocating budgetary resources for urban work

The urban strategy will require additional funding from both internal and external sources to carry out the four strategic emphases and related actions and for managing the implementation of the strategy. The strategy is not budget-neutral. Commitment to it will require significant increments to the funding allotted in recent years to urban work—for urban thematic groups, knowledge management, and staff training, for strategy coordination by the Urban Anchor, and for World Bank Institute training—and reallocation of country budgets in the Regions toward more urban work. Additional budgetary resources will also be needed to leverage the additional funding to be sought from donors for the Cities Alliance and Urban Partnership, from the research budget, and from trust funds.

Implementing the new strategy

The plan for implementing the strategy over the next three years shows that most of its components are mutually supportive and need to be undertaken in concert—indeed, most are already starting, with the enthusiastic support of staff and partners, even without budget reinforcements (see attachment 3). Continuing this momentum, however, will depend on the funding from all sources for fiscal 2000.

Over the next three years, if the Bank fails to mobilize an institutionwide effort to address urban and local government issues more coherently and to integrate urban perspectives in its dialogue on national development policies, it will become less relevant to an urbanizing world. In some regions the Bank will lose credibility relative to other sources of finance and technical advice that are more responsive to the needs of local government. More important, it will forgo an opportunity to have an impact in addressing pressing urban issues with critical bearing on countries' abilities to reduce national poverty and improve their environment. But the Bank's national and local government counterparts, external partners in the donor and private sector communities, and the people who are its ultimate clients expect more of the Bank. The future is urban, and we must be there.