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on Decentralization and Local Democracy

CO-CREATING THE URBAN FUTURE

THE AGENDA OF METROPOLISES, CITIES AND TERRITORIES

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CO-CREATING THE URBAN FUTURE

THE AGENDA OF METROPOLISES, CITIES AND TERRITORIES

Edited by UCLG

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Cecilia Tacoli, Principal Researcher, IIED (United Kingdom), **Callum Wilkie**, Department of Geography and Environment, London School of Economics (United Kingdom).

CIVIL SOCIETY

Mamadou Bachir Kanouté, Executive Coordinator, Enda ECOPOP (Senegal).

FOREWORD

Over the past two years, the international community has adopted three ambitious agendas — the Sustainable Development Goals (SDGs), the Paris Agreement on Climate Change and the New Urban Agenda — to achieve long-term wellbeing, peace and sustainability. However, for these agendas to live up to their historic potential and foster the transformation they seek to achieve, strong ownership at the local level will be essential.
Local and regional governments have been actively involved in contributing our experience and priorities to these universal agendas. As President of UCLG and a former member of the High-Level Panel of Eminent Persons on the Post-2015 Agenda, convened by UN Secretary General Ban Ki-moon, I am proud to have contributed personally to this global debate, advocating the need to include an urban and territorial perspective in the SDGs.

As part of the post-2015 process, I called for the creation of the Global Taskforce of Local and Regional Governments (GTF) to coordinate the global advocacy work of all international networks of local and regional authorities, and to provide our constituency with increased visibility and an amplified voice at the global table. The Global Taskforce has proved itself to be a key lever for our international advocacy: it played a decisive role in the inclusion of SDG 11 on sustainable cities in the post-2015 agenda; it co-led the work on the localization of the SDGs, and it contributed to the visibility of cities at the COP 21 in Paris. The Global Taskforce has acted as the convener of cities, regions and local governments and their associations in the Habitat IIII process through the Second World Assembly of Local and Regional Governments.

The Fourth GOLD Report we put before you today is a contribution by UCLG to a broader international constituency of local and regional governments. It aims to provide our community, as well as our partners and international institutions, with a global perspective on our realities and aspirations. This report, the fourth of a triennial series led by UCLG in the past 12 years, has been developed with the support of scholars, academics and practitioners. As always, it has built on consultations with different types of local and regional government, incorporating the hands-on experiences of metropolitan leaders, intermediary cities, and local and regional governments, large and small, from around the world.

GOLD IV reviews the diverse realities of metropolitan areas, intermediary cities, regions, small municipalities and rural areas, with a view to guiding the implementation of the New Urban Agenda. Based on concrete practices, it provides an in-depth analysis of how urban and territorial policies can contribute to the new international development agenda and, by extension, argues that local and regional governments will have to take the lead in translating the new development agenda into reality.

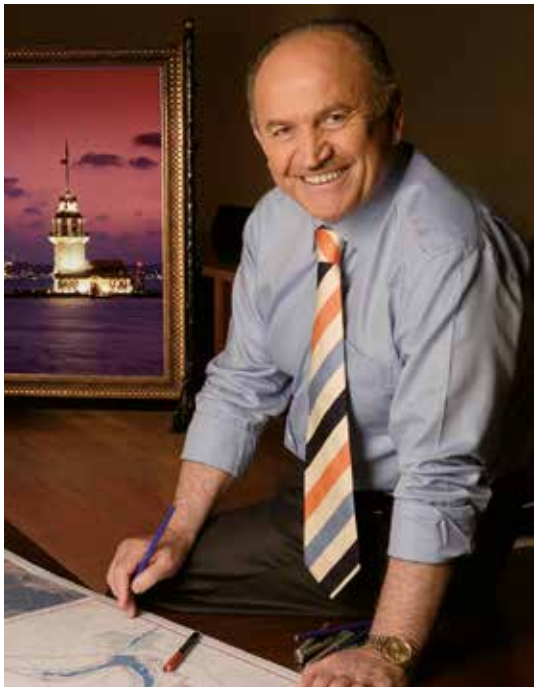
The report reaffirms a set of priorities for local and regional governments:

- a **people-centred agenda**, to ensure inclusiveness for all and the protection of essential socio-economic rights that form the basis of dignified living and links to the international ring of civilization;
- **strengthened local and regional governance and autonomy**, based on accountable local and regional governments, to renew the social contract between public institutions and citizens;

- a **territorial approach to development**, to unlock local potential, drive bottom-up national development and create opportunities for all;
- **environmental sustainability**, through a transition towards a low-carbon economy, the reduction of natural resource consumption, and the protection of the complex natural systems on which our world depends.

It analyzes the impact of the 'financialization' of the global economy and the consequences for our cities and territories in their quest to finance the SDGs and the New Urban Agenda, as well as the need for coherent and participative national urban and territorial policies.

One of the most valuable contributions of the GOLD IV Report lies in the diversity and evolutionary potential of the '**urban experiments**' it covers – ranging from urban governance models to economic development practices and 'greener' policies and planning.



A clear conclusion that I draw from the GOLD IV process and from my experience over the past six years as President of the world's broadest and largest organization of local governments, is that the fulfilment of the global agendas will depend upon an **enhanced partnership between local and regional governments and the international community**.

In recent decades, local and regional governments have shown the positive influence we can have on the global development agenda. The nature and scale of the challenges we now face demand new bold steps and increased room for consultation and advice from this important constituency sitting at the global table.

I am convinced that the future of humanity requires strong local and regional governments that listen to their citizens, provide basic services, and ensure livelihoods for all, in close collaboration with civil society and other spheres of government.

I am sure that reading this report will inspire many of you to take that extra step, to innovate and to call on the international community to listen to its cities!

Please accept my best wishes for a prosperous, peaceful future and my kindest regards.

Dr. Kadir Topbaş
Mayor of Istanbul and
President of UCLG

ABBREVIATIONS AND ACRONYMS

A

AAAA – Addis Ababa Action Agenda
AEZ – Agriculture Export Zone
AfDB – African Development Bank
AFHCO – Affordable Housing Company
AFP – Agence France-Presse
AMB – *Àrea Metropolitana de Barcelona* (Metropolitan Area of Barcelona)
AMPE – *Asociación de Municipalidades del Perú* (Association of Peruvian Municipalities)
AMR – Automated Meter Reading
AMRF – *Association des Maires Ruraux de France* (French Association of Rural Mayors)
ANGR – *Asemblea Nacional de Gobiernos Regionales* (National Assembly of Regional Governments, Peru)
ANRU – National Agency for Urban Renewal (France)
APEC – Asia-Pacific Economic Community

B

BRICS – Brazil, Russia, India, China and South Africa
BRT – Bus Rapid Transit

C

CAF – *Corporación Andina de Fomento* (Development Bank of Latin America)
C&T – Cap and Trade
CAPPA – *Comitê de Acompanhamento do Plano Plurianual* (Follow-up Committee of the Multi-Annual Plan, Brazil)
CBD – Convention on Biological Diversity
CBD – Central Business District
CCFLA – Cities Climate Finance Leadership Alliance
CDS – City Development Strategy
CEMR – Council of European Municipalities and Regions
CER – Centre for Economic Research
CF – Cohesion Fund
CFL – Compact Fluorescent Lamp
CGET – General Commission for Regional Equality
CISDP – UCLG Committee on Social Inclusion, Participatory Democracy and Human Rights
CLAN – Centros Locales de Artes para la Niñez y la Juventud (Local Art Centres for Infancy and Youth, Colombia)
CMM – Montréal Metropolitan Community
CMPU – Municipal Council of Urban Policy
COAG – Council of Australian Governments
CODETER – Council for Sustainable Territorial Development (Brazil)
CONPES –*Consejo Nacional de Política Económica y Social* (National Council for Economic and Social Policy, Colombia)
COP – Conference of the Parties
CoR – Committee of the Regions
CPER – *Contrat de Plan Etat-Régions* (State-Region Planning Contract, France)
CRP – Calgary Regional Partnership
CTME – Confederation of Towns and Municipalities of Europe
CUDRR+R – Centre for Urban Disaster Risk Reduction Resilience

D

DACF – District Assemblies Common Fund (Ghana)
DP Republic of Korea – Democratic People's Republic of Korea
DR Congo/DRC – Democratic Republic of the Congo

E

ECOWAS – Economic Community of West African States
EDAA – *Empresa de Desarrollo Agro-*

Industrial de Antioquia (Antioquia Agro-Industrial Development Company, Colombia)
EDP – Economic Development Partnership
EMAS – Eco-Management and Audit Scheme
EPCI – Établissement *Public de Coopération Intercommunale* (Public Institution of Inter-Municipal Cooperation)
EPZ – Export Processing Zone
EQC – Earthquake Commission (New Zealand)
ERDF – European Regional Development Fund
ERDF – European Regional Development Fund
ESCI – Emerging and Sustainable Cities Initiative
ESF – European Social Fund
ESG – Environmental Social and Governance
ESIF – European Structural and Investment Fund
ESPON – European Observation Network for Territorial Development and Cohesion
EU – European Union

F

FALP – World Forum for Peripheral Local Authorities
FAROS – Factories of Arts and Jobs (Mexico)
FDI – Foreign Direct Investment
Fiplan – Integrated System for Planning, Budgeting and Financing (Brazil)
FTZ – Free Trade Zone
FUNBIO – Brazilian Fund for Biodiversity
FYR of Macedonia – Former Yugoslav Republic of Macedonia

G

GDP – Gross Domestic Product
GDS – Growth and Development Strategy
GHG – Greenhouse Gas
GIZ GmbH – *Deutsche Gesellschaft für Internationale Zusammenarbeit* (German Agency for International Cooperation)
GLA – Greater London Authority
GPC – Global Protocol for Community-Scale
GRW – Joint Task for the Improvement of Regional Economic Structure Greenhouse Gas Emission Inventories
GTF – Global Taskforce of Local and Regional Governments
GTP – Growth and Transformation Plan
GTT – Working Territorial Group
GWL – Municipal Waterboard Terrain (the Netherlands)

H

HUD – Housing and Urban Department
HTA – Hometown Association

I

IASP – International Association of Science Parks and Areas of Innovation
i-city – Intermediary City
ICLEI – International Council for Local Environmental Initiatives
ICT – Information and Communications Technology
IFAD – International Fund for Agricultural Development
ILO – International Labour Organization
IMF – International Monetary Fund
IPCC – International Panel on Climate Change
ISWM – Integrated Solid Waste Management Strategy
ISWRMP – Integrated Solid Waste and Resource Management Plan
IT – Information Technology
IUDF – Integrated Urban Development Framework

J

JNNURM – Jawaharlal Nehru National Urban Renewal Mission

K

KOSTRA – Norway's municipality-state reporting system
KZN – KwaZulu-Natal
KZN PGDS/P – KwaZulu-Natal Provincial Growth and Development Strategy and Plan

L

LAC – Latin American and the Caribbean
LAG – Local Action Group
LEADER – Links between actions for the development of the rural economy
LED – Local Economic Development
LKN.SH – Schleswig-Holstein Agency for Coastal Defence, National Park and Marine Conservation
LSE – London School of Economics

ABBREVIATIONS AND ACRONYMS

M

MAREA – *La Mar, una Estrategia para Asturias* (The Sea, a Strategy for Asturias)
MDGs – Millennium Development Goals
MEDSTAR – Metropolitan Development Strategy for Arriyadh Region
Mercosur – *Mercado Común del Sur* (Southern Common Market)
MEWA – Middle East and Western Asia
Mfcpole – *Pôle de Compétitivité Monastir-El Fejja* (Competitiveness Pole of Monastir -El Fejja, Tunisia)
MGI – McKinsey Global Institute
MIDUVI – *Ministerio de Desarrollo Urbano y Vivienda* (Ministry of Urban Development and Housing, Ecuador)
MIT – Massachusetts Institute of Technology
MITI – Metropolis International Training Institute
MIVAH – *Ministerio de Vivienda y Asentamientos Humanos* (Ministry of Housing and Human Settlements, Costa Rica)
MIVIVIENDA SA – *Fondo Mivivienda* (National Fund for Housing, Peru)
MLG – Multilevel Governance
MPO – Metropolitan Planning Organization
MTR – Mass Transit Railway

N

NAFTA – North American Free Trade Agreement
NCG – Nordic Consulting Group AB
NDP – National Development Plan
NGO – Non-Governmental Organization
NITI – National Institution for Transforming India
NIUPLAN – Nairobi Integrated Urban Development Master Plan
Nrg4SD –Network of Regional Governments for Sustainable Development
NSDS – National Sustainable Development Strategy
NUDHF – National Urban Development and Housing Framework
NUDP – National Urban Development Policy
NUP – National Urban Policy
NUTS – Nomenclature of Territorial Units for Statistics
NUUP – National Urban Upgrading Strategy and Overall Investments Plan

O

ODA – Official Development Assistance
OECD – Organization for Economic Cooperation and Development
OIDP – International Observatory on Democratic Participation
ORU/FOGAR – Forum of Regions, the Organization of United Regions

P

PACA – Région Provence-Alpes-Côte d'Azur, France
PALMA – Pigcwayan, Alamada, Libungan, Midsayap, Aleosan (the Philippines)
PBOC – People's Bank of China
PGDP – Provincial Growth and Development Plan
PLAM – Metropolitan Urban Development Plan for Lima and Callao
POD – *Plan de Ordenamiento Departamental* (Department Land Management Plan, Colombia)
POT – *Plan de Ordenamiento Territorial* (Land Management Plan, Colombia)
PPA – *Plano Plurianual* (Multi-Year Plan, Brazil)
PPP – Public-Private Partnership
PPPP – Public-Private-People Partnership
PR China – People's Republic of China
PTDRS – *Plano Territorial de Desenvolvimento Rural Sustentável* (Territorial Plan for Sustainable Rural Development, Brazil)
PUP – Public-Public Partnership

R

R&D – Research and Development
RDA – Regional Development Agency
REMURPE – *Red de Municipalidades Urbanas y Rurales del Perú* (Network of Urban and Rural Municipalities of Peru)

RIS3 – Research and Innovation Strategies for Smart Specialization

S

SACN – South African Network of Cities
SCIRT – Stronger Christchurch Infrastructure Rebuild Team
SDG – Sustainable Development Goal
SDI – Shack/Slum Dwellers International
SEBRAE – *Serviço Brasileiro de Apoio às Micro e Pequenas Empresas* (Brazilian Service in support of Micro and Small Enterprises)
SEZ – Special Economic Zone
SICA – Central American Integration System
SMDU – Municipal Department of Urban Development
SME – Small and Medium-Sized Enterprise
SMG – Seoul Metropolitan Government
SMME – Small, Medium and Micro-Sized Enterprise
SOE – State-Owned Enterprise
SPARC – Society for the Promotion of Area Resource Centres
SPL – *Système Productif Locale* (Local Productive System)
SRADDET – *Schéma Régional d'Aménagement, de Développement Durable et d'Egalité des Territoires* (Regional Plan for Land Management, Sustainable Development and Territorial Equality, France)
SRDEII – *Schéma Régional de Développement Économique, d'Innovation et d'Internationalisation* (Regional Plan for Economic Development, Innovation and Internationalization, France)
SRI-SI – *La Stratégie Régionale d'Innovation* (Regional Innovation Strategy, France)
SWECO – Swedish Consultants AB

T

TAD – Territorial Approach to Development
tCO_2 – Tonnes of CO_2
TECHO – *Un Techo para mi País* (A roof for my country)
TEN – Trans-European Networks
TEN-E – Trans-European Networks Energy
TEN-T – Trans-European Networks Transport
Tis – Territories of Identity
TL – Territorial Level
TOD – Transit-Oriented Development

U

UAE – United Arab Emirates
UEMOA – *Union Economique et Monétaire Ouest-Africaine* (West African Economic and Monetary Union)
ULB – Urban Local Body
UN – United Nations
UNDP – United Nations Development Programme
UNASUR – Union of South American Nations
UNCTAD – United Nations Conference on Trade and Development
UN-DESA – United Nations Department for Economic and Social Affairs
UNECA – United Nations Economic Commission for Africa
UNECE – United Nations Economic Commission for Europe
UNEP – United Nations Environmental Programme
UN-ESCAP – United Nations Economic and Social Commission for Asia and the Pacific
UNESCO – United Nations Educational, Scientific and Cultural Organization
UN-Habitat – United Nations Human Settlements Programme
UNISDR – United Nations Office for Disaster Risk Reduction
UNRISD – United Nations Research Institute for Social Development
UNWTO – World Tourism Organization
URBACT – European Territorial Cooperation Programme

W

WUP – World Urbanization Prospects
WWII – Second World War

Z

ZEE – Economic-Ecologic Zone

INTRODUCTION

1.

THE GLOBAL DEVELOPMENT AGENDAS AND LOCAL AND REGIONAL GOVERNMENTS

The ambitious agendas recently adopted by the international community – the 2030 Agenda, Paris Agreement on Climate Change and New Urban Agenda – necessitate a deep shift in our economic, cultural and political systems to achieve long-term wellbeing, prosperous societies, ecological regeneration and peace. For the first time, urbanization is being recognized as both a major challenge and opportunity for economic development, social inclusion and environmental sustainability.

Local and regional governments have been actively involved in global development debates, advocating for a truly transformative, integrated and universal agenda that builds on local experiences and is achievable and mindful of the needs of future generations. Local governments specifically have argued that the achievement of democratic, peaceful and sustainable societies will require a new, more democratic and transparent global governance, strong national ownership and solid democratic institutions, and accountable and capable local and territorial governments. Local institutions must be responsive to the needs of people, work to bridge inequalities, preserve sustainability and have the public interest at heart. As a result of this global advocacy, the role of local and regional governments, cities and territories has been much more overtly acknowledged than ever before.

There have been a number of milestones in this process. First, United Cities and Local Governments (UCLG) was created in 2004, the result of many years of dialogue among local and regional leaders across the world. Local and regional governments were united in their conviction that the world needed a global advocate of democratic local self-government, promoting through joint action the values, objectives and interests of local and regional governments of all shapes and sizes.

Another decisive step was the creation, in 2013, of the Global Taskforce of Local and Regional Governments (GTF) to bring together the major international networks of local governments to undertake joint advocacy in international policy processes, beginning with the High-Level Panel of Eminent Persons on the Post-2015 Agenda. In the last few years, **the Global Taskforce has become the main intermediary between local and regional authorities, their associations, networks, sister organizations and partners, and the international community, in particular the United Nations**.

As a result, the Second World Assembly of Local and Regional Authorities, which builds on the experience of Habitat II, could open up a new phase of broader institutionalized dialogue between the UN system and sub-national government leaders for the achievement of the new global agendas.

In light of these developments, local and regional governments have made extraordinary efforts to prepare for their role in a renewed system of global governance. They have connected to share experiences internationally, committed to specific development targets, and promoted solidarity around the world.

They have done this by developing learning systems, technical capacity exchanges and consultation mechanisms capable of producing joint priorities.

The Second World Assembly of Local and Regional Authorities, which builds on the experience of Habitat II, could open up a new phase of broader institutionalized dialogue between the UN system and sub-national government leaders for the achievement of the new global agendas

2.

THE CHANGING URBAN LANDSCAPE: METROPOLISES, CITIES, SMALL TOWNS AND TERRITORIES

Over the next half century, a new global urban system will be set in motion. This will be one of the biggest transformations in human history

In the 20 years since Habitat II, the world has undergone significant changes. Globalization, labour market transformations, the impact of new technologies, and extreme poverty reduction have gone hand in hand with growing inequalities, environmental and biodiversity depletion, and social unrest. At the same time, demographic growth and urbanization have reshaped our societies and urban landscape. The global economic crisis that began in 2007 marked the end of an economic cycle. Nevertheless, while in the short and medium term global economic growth is likely to be uneven, cities and their economies are expected to grow much more steadily.

Today, more than half the world resides in urban areas. In 1950, 30% of the world's population was urban, rising to 54% in 2014 and projected to reach 60% by 2030 and 66% by 2050. After a first wave of urbanization between 1750 and 1950, which urbanized about 400 million people, especially in the Global North,[1] this current process – known as the second urbanization wave – began in 1950 and has mostly affected the Global South. In less than a century, nearly 4 billion people will have been urbanized. Figure 1 shows the distribution and type of cities globally.

This pace of change will continue to increase over the next two to three decades. According to the 2014 UN's *World Urbanization Prospects*, population growth will result in 2.4 billion more urban residents by the middle of this century (from 3.9 billion to 6.3 billion urban dwellers, out of an expected total population - urban and rural - of 9.7 billion). Those regions across the world that are still predominantly rural will transition into urban societies. Over the next half century, a new global urban system will be set in motion. This promises to be one of the biggest transformations in human history.

Urban areas range from small villages to growing intermediary cities (i-cities) and megacities. There are now 34 megacities (with a population of over 10 million) in the world, one of which (Tokyo) is home to over 30 million inhabitants and eight of which have populations of over 20 million (led by New Delhi with 25 million). It is expected that there will be 41 megacities by 2030. At the same time, the number of i-cities is also rising, although they are rarely accounted for in international analyses of urbanization despite their importance. All cities, from the smallest town to the largest megacity, are interconnected by new forms of ICT, economic specialization and transportation infrastructures in a huge global web.

However, people have felt the benefits of these changes very unequally. Global wealth is highly concentrated: the richest 1% of the population has more wealth than the rest of the world combined.[2] Inequalities can also be expressed in spatial form: 600 cities account for over 60% of global GDP, while the gaps between metropolitan areas, intermediary cities and rural areas are increasing.[3] The world's 500 metropolises form a signficant part of this group.

As emphasized in the Metropolitan Areas chapter, metropolises are home to more than 1.6 billion people (41% of the total urban population) and are expected to host more than 600 million new urban dwellers by 2030. Another 1.4 billion people live in i-cities, and 896 million people live in cities of fewer than 50,000 inhabitants (see Table 1).[4]

As illustrated in Figure 1 and Table 1, **the Asia-Pacific region (particularly East Asia) dominates the global urban system**: it is home to 47% of the world's urban population, 45% of all metropolises and 47% of all i-cities. The second biggest region based on the number of urban dwellers is Latin America and the Caribbean, which contributes 13% of the world's urban population, 14% of metropolitan cities and 11% of intermediary cities. Africa follows (and will eventually overtake) Latin America. It is home to 12% of the world's urban population, 11% of metropolitan cities and 12% of i-cities. Europe, Northern America, Middle East and West Asia (MEWA) and Eurasia together make up 28% of the world's urban population (10%, 7%, 6% and 5% respectively), and 30% of both the world's metropolitan areas and i-cities.

Current trends will transform the balance between and within regions. The Global South, particularly Asia and Africa, will complete the transition to an urbanized economy. Nearly 37% of projected urban population growth by 2050 is expected to come from just three countries – China, India and Nigeria – which are predicted to grow by 404 million, 292 million and 212 million urban dwellers respectively. Africa's urban population is expected to grow to 1.2 billion by 2050 compared with 400 million in 2010.

In this context, the rural-urban dichotomy is an inadequate axis with which to understand our world. The relationship between urban and rural areas is evolving; the borders between the two are becoming increasingly blurred, and they are ever more interdependent. Rural-urban connections are strengthened by regular seasonal population flow from rural to urban environments and vice versa, as well as by the increasing dependence of many villages on remittances from those who have migrated to the city. At the same time, informal neighbourhoods in urban areas reproduce the typical rural pattern of scattered settlements. In developed countries, on the other hand, the displacement of urban dwellers to small towns and rural areas is creating a new phenomenon of 'rururbanization'.

The material, economic and social implications of this urban and rural transformation are staggering. In the period between 2011 and 2013, China used more cement than the United States used during the whole of the 20th century.[5] China is halfway through its urbanization process, India is only a quarter of the way through its, and Africa's urban population is projected to increase 800 million by 2050.

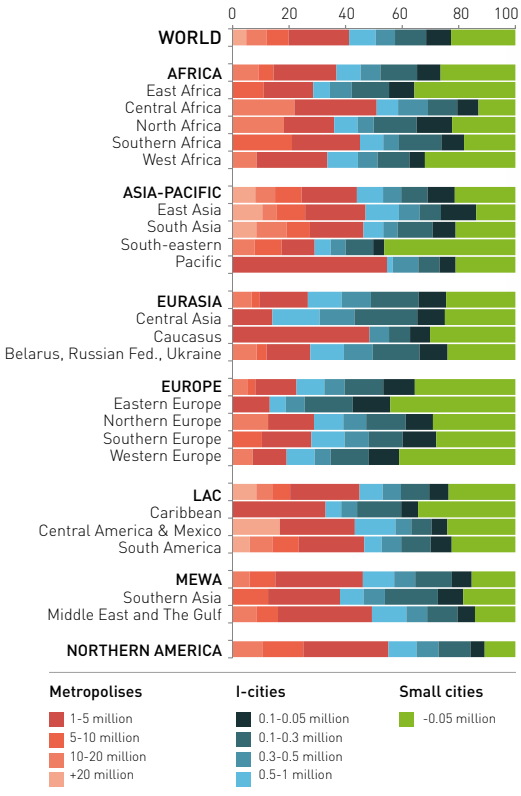
Thus, what is clear is that the resources needed for urbanization and all its related social and environmental implications, will be hugely significant, though to what extent is not yet fully understood.

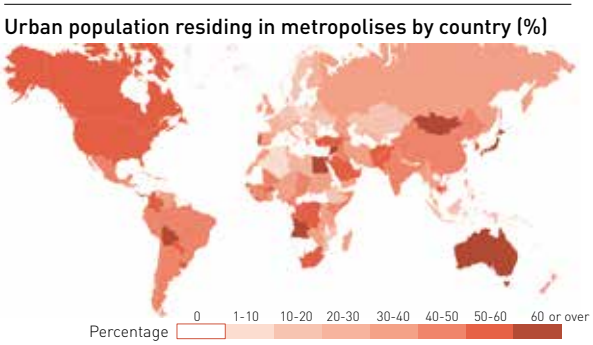
The current model of development is generating both new opportunities and new social and political threats. Urbanization is positively correlated with growing incomes and human development indicators.[6] However, this model also has dramatic consequences for the environment, including natural resource depletion, impoverishment of biodiversity, climate change, and the increasing impact of natural disasters on cities and territories. **New patterns of production and consumption are essential for sustainable development, and the time available to make these changes and prevent irreparable damage to our planet is fast running out**. The costs of failing to deal with urban growth now will be vast and the next 20 years will be critical to urgently bringing about a structural change to the way in which we approach development.

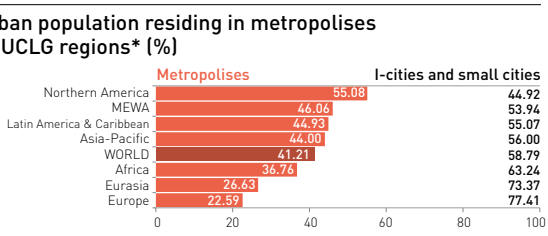
The implications of urbanization on the spatial distribution of the population and the shape and function of cities and territories is further explored in each of the chapters of this report. They provide quantitative and qualitative insights, complementing UN-DESA figures and giving an overview of the global urban system of all cities.[7]

In the period between 2011 and 2013, China used more cement than the United States used during the whole of the 20th century

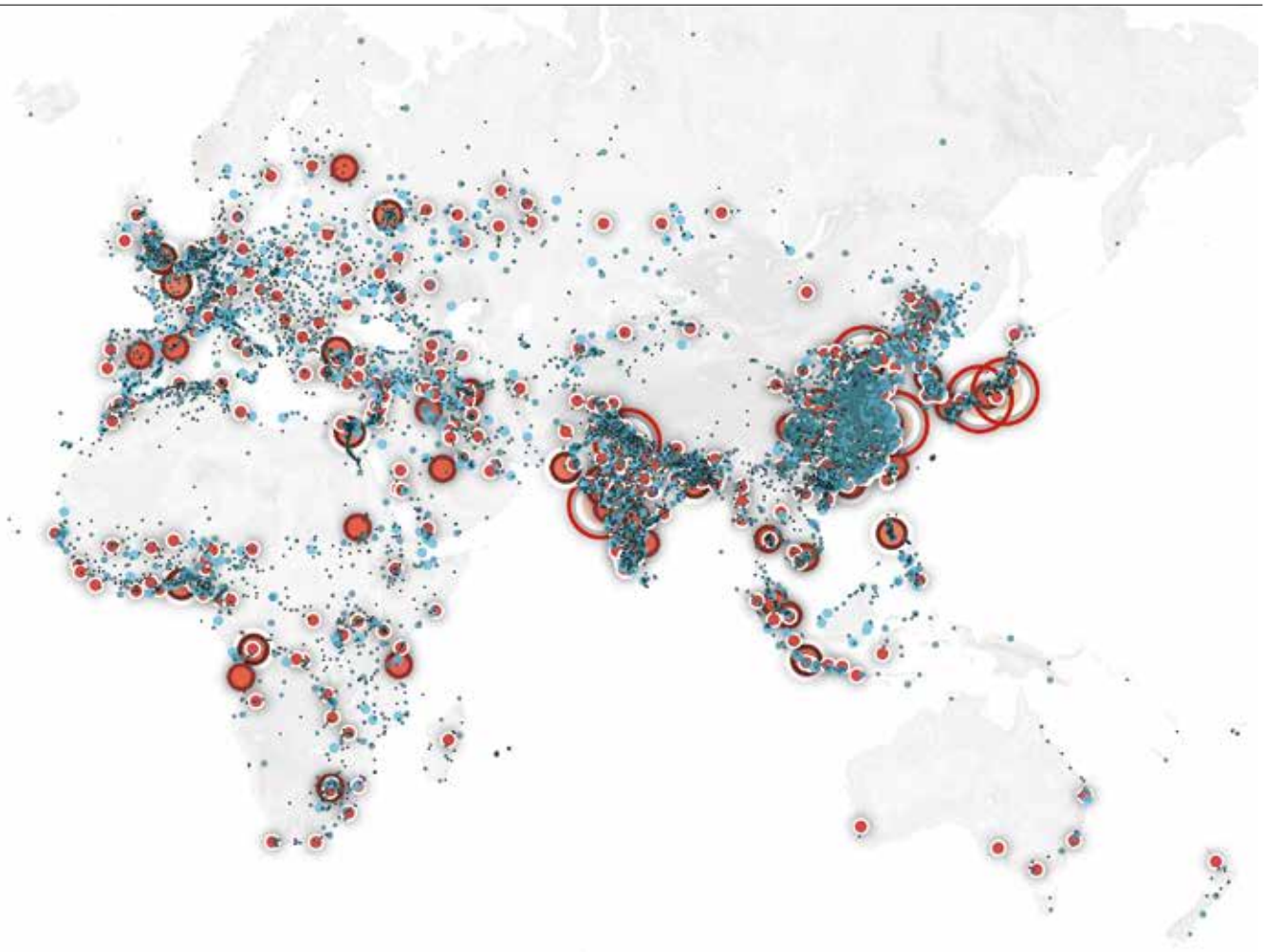
Figure 1 World map of metropolitan areas, intermediary cities and % of population living in small towns Source: UCLG-UNESCO CIMES



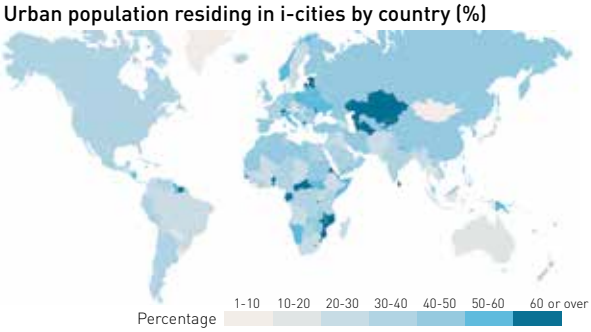




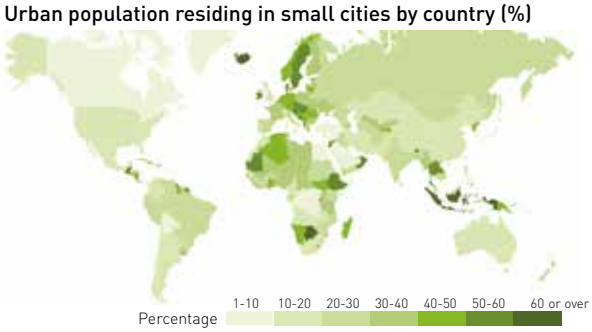
* For the UCLG definition of world regions and the countries they comprise, please refer to the Methodological Annex at the end of the report.



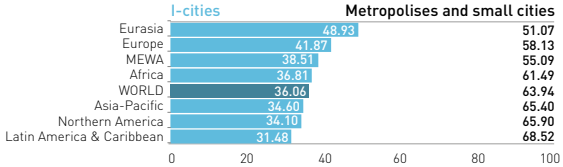
Urban population residing in i-cities by country (%)



Urban population residing in small cities by country (%)



Urban population residing in i-cities by UCLG regions* (%)



Urban population residing in small cities by UCLG regions* (%)

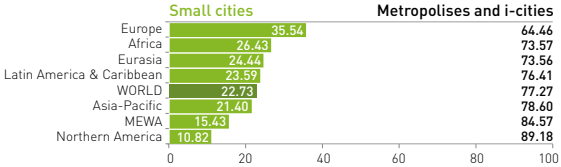


Table 1 Urban population of metropolitan, intermediary and small cities by region

(number of units, inhabitants, % inhabitants by type of settlement/total urban population by region, % inhabitants of type of settlement/ world population of this type of settlement) - (% total population and % of world urban population)

	METROPOLITAN AREAS TOTAL: >1 million				INTERMEDIARY CITIES TOTAL: 0.05 million - 1 million			
	Nº	POP	% URBAN	% REGION	Nº	POP	% URBAN	% REGION
WORLD	503	1,626,455,969	41.2	100	8,923	1,423,282,594	36.1	100
AFRICA	**56**	**174,542,526**	**36.8**	**10.7**	**1,086**	**174,780,249**	**36.8**	**12.3**
East Africa	9	26,406,855	28.5	15.1	227	33,167,268	35.8	19.0
Central Africa	9	26,973,726	51.0	15.5	112	19,048,707	36.0	10.9
North Africa	9	37,050,671	35.9	21.2	311	43,060,544	41.7	24.6
Southern Africa	11	31,995,988	45.1	18.3	165	26,077,191	36.7	14.9
West Africa	18	52,115,286	33.6	29.9	271	53,426,539	34.4	30.6
ASIA-PACIFIC	**228**	**816,690,744**	**44.0**	**50.2**	**4,222**	**642,118,740**	**34.6**	**45.1**
East Asia	125	456,085,052	47.0	55.8	2.538	379,768,911	39.1	59.1
South Asia	72	258,020,116	46.3	31.6	1.232	181,362,974	32.6	28.2
South-eastern Asia	25	87,213,961	29.0	10.7	407	74,146,549	24.7	11.5
Pacific	6	15,371,615	54.6	1.9	45	6,840,306	24.3	1.1
EURASIA	**24**	**47,996,875**	**26.6**	**3.0**	**515**	**88,190,658**	**48.9**	**6.2**
Central Asia	2	3,773,793	14.1	7.9	88	16,332,914	61.0	18.5
Caucasus	3	4,565,562	48.4	9.5	17	2,024,884	21.5	2.3
Belarus, Russian Fed., Ukraine	19	39,657,520	27.5	82.6	410	69,832,860	48.5	79.2
EUROPE	**36**	**91,301,788**	**22.6**	**5.6**	**1,136**	**169,249,369**	**41.9**	**11.9**
Eastern Europe	5	7,843,649	13.2	8.6	192	25,373,002	42.6	15.0
Northern Europe	9	23,711,968	28.8	26.0	214	34,610,407	42.1	20.4
Southern Europe	10	30,658,603	27.9	33.6	325	48,616,049	44.2	28.7
Western Europe	12	29,087,568	19.1	31.9	405	60,649,911	39.8	35.8
LATIN AMERICA & CARIBBEAN	**68**	**225,398,998**	**44.9**	**13.9**	**961**	**157,919,149**	**31.5**	**11.1**
Caribbean	4	9,985,468	32.9	4.4	65	9,931,491	32.7	6.3
Central America and Mexico	19	54,401,324	43.3	24.1	203	41,103,031	32.7	26.0
South America	45	161,012,206	46.6	71.4	693	106,884,627	30.9	67.7
MEWA	**40**	**108,679,404**	**46.1**	**6.7**	**502**	**90,863,612**	**38.5**	**6.4**
Southern Asia	9	25,420,383	38.0	23.4	182	29,229,625	43.6	32.2
Middle East and The Gulf	31	83,259,021	49.3	76.6	320	61,633,988	36.5	67.8
NORTHERN AMERICA	**51**	**161,845,634**	**55.1**	**10.0**	**501**	**100,160,817**	**34.1**	**7.0**

Source: Adapted from UN-DESA, World Urbanization Prospects, and additional sources. See the Methodological Annex at the end of the full report for more details.

SMALL TOWNS TOTAL: <0.05 million				TOTAL URBAN POPULATION			
Nº	POP	% URBAN	% REGION	POP	% REGION	% GLOBAL	
-	896,875,227	22.7	100	3,945,834,361	54.1	100	WORLD
-	125,441,341	26.4	14.0	474,764,116	40.6	12.0	AFRICA
-	33,017,360	35.7	26.3	92,591,482	25.8	19.5	East Africa
-	6,878,471	13.0	5.5	52,900,904	43.9	11.1	Central Africa
-	23,029,318	22.3	18.4	103,140,533	55.8	21.7	North Africa
-	12,888,827	18.2	10.3	70,962,006	44.6	14.9	Southern Africa
-	49,627,365	32.0	39.6	155,169,190	44.9	32.7	West Africa
-	397,189,134	21.4	44.3	1,855,998,618	46.8	47.0	ASIA-PACIFIC
-	134,472,127	13.9	33.9	970,326,090	60.1	52.3	East Asia
-	117,532,505	21.1	29.6	556,915,595	33.1	30.0	South Asia
-	139,235,824	46.3	35.1	300,596,334	47.5	16.2	South-eastern Asia
-	5,948,679	21.1	1.5	28,160,599	71.5	1.5	Pacific
-	44,060,175	24.4	4.9	180,247,708	64.6	4.6	EURASIA
-	6,659,873	24.9	15.1	26,766,580	40.5	14.8	Central Asia
-	2,842,504	30.1	6.5	9,432,950	55.8	5.2	Caucasus
-	34,557,798	24.0	78.4	144,048,178	73.5	79.9	Belarus, Russian Fed., Ukraine
-	143,628,331	35.5	16.0	403,400,059	73.8	10.2	EUROPE
-	26,354,120	44.2	18.3	59,570,771	61.7	14.8	Eastern Europe
-	23,966,044	29.1	16.7	82,288,420	81.3	20.4	Northern Europe
-	30,789,450	28.0	21.4	109,284,672	70.0	27.1	Southern Europe
-	62,518,717	41.1	43.5	152,256,196	78.9	37.7	Western Europe
-	118,350,166	23.6	13.2	501,668,313	79.7	12.7	LATIN AMERICA & CARIBBEAN
-	10,427,631	34.4	8.8	30,344,590	71.0	6.0	Caribbean
-	30,204,410	24.0	25.5	125,708,765	73.1	25.1	Central America and Mexico
-	77,718,125	22.5	65.7	345,614,958	83.3	68.9	South America
-	36,410,273	15.4	4.1	235,953,289	67.8	6.0	MEWA
-	12,316,193	18.4	33.8	66,966,201	60.1	28.4	Southern Asia
-	24,094,079	14.3	66.2	168,987,088	71.5	71.6	Middle East and The Gulf
-	31,795,807	10.8	3.5	293,802,258	82.0	7.4	NORTHERN AMERICA

3.

PRINCIPLES OF OUR AGENDA

GOLD IV builds on a set of principles and observations, based on the experience of local and regional governments since Habitat II. The recognition of the development challenges that currently face us, and the acknowledgement of the importance of local and regional governments in global agendas, present an opportunity to begin a new era in global governance, enhancing existing partnerships, and exploring new mechanisms that will foster the participation of all actors. Within this, the responsibility of local and regional governments for many common and public goods essential to the achievement of the SDGs must be recognized.

This new era should, however, build on past *acquis* and a clear picture of the results, achievements and unfinished business of the Habitat II Agenda (see Box 3.1). The main weakness of Habitat II has been a lack of clarity about the means of implementation. There has obviously been some progress on the Agenda's commitments to support local governments and strengthen local capacities to develop sustainable human settlements in an urbanizing world. But overall the Agenda has failed to give adequate support to urban settlements and territories.

UCLG and the Global Taskforce agreed on seven priorities for the New Urban Agenda:

1. **Make local and regional governments stronger and more accountable** and give them far-reaching competences to drive inclusive and sustainable development.
2. **Harness strategic planning** to ensure a shared vision for the development of cities and human settlements.
3. **Renew the social contract,** putting the Right to the City at the heart of the New Urban Agenda (see Box 3.2).
4. **Unlock the potential of local and regional governments** to promote sustainable local economic and environmental policies, and to protect our planet.
5. **Rethink local financing systems** to make cities and territories (and their management) sustainable.
6. **Improve local and regional governments' risk and crisis-management capacities.**

BOX 3.1 HABITAT II AGENDA-THE RECOGNITION OF LOCAL GOVERNMENTS AND DECENTRALIZATION

In Istanbul in 1996, the UN and its member states recognized local authorities as the **'closest partner' for the implementation of the Habitat Agenda and the 'effective decentralization of responsibilities'** to local governments, as necessary to achieve sustainable human settlements.[8] In 2007, a step forward was made with the adoption – by the UN Habitat's Governing Council – of the *International Guidelines on Decentralization and Strengthening of Local Authorities*. In 2009, the *International Guidelines on Access to Basic Services for All* was adopted.[9]

Within the framework of this report, **decentralization is understood as the existence of local authorities, distinct from the state's administrative authorities, that have a degree of self-government within the framework of the law.** These decentralized authorities have their own powers, resources and capacities to meet responsibilities, and a legitimacy underpinned by representative, elected local democratic structures that determine how power is exercised and make them accountable to citizens in their jurisdiction.[10]

7. **Give local and regional governments a seat at the global table** and cooperate in a spirit of solidarity.

The New Urban Agenda needs to enable the implementation of sustainable urban policies, while **promoting an urban perspective on the 2030 Agenda and fostering its localization.** To be truly transformative, the Agenda should enable local and regional governments to realize their full potential by creating an adequate environment for further decentralization. Multilevel and multi-stakeholder governance is essential to ensure that skills and resources are harnessed at all levels.

At the same time, the Agenda must guarantee the respect for social and human rights and promote shared governance to **allow inhabitants to directly participate in the 'co-creation' of the city and territories** that they aspire to live in. In 2011 UCLG adopted the Global Charter-Agenda for Human Rights in the City as the foundation of this new social contract between people and local and regional authorities (see Box 3.2).

Development agendas should align resources with the needs of the people to deal with massive backlogs in housing, basic services and urban infrastructure. Local financing for these has been a concern in both developed and developing countries.11 It has been calculated that USD 57 trillion will be needed to finance basic infrastructure globally by 2030. With business-as-usual rates of investment, the world should commit over USD 1 trillion more per year until 2030 to meet these needs.[12] These figures translate to 3.8% of the Global North's GDP, and 6.6% of the Global South's.[13] **These issues require an international initiative to address the financing of urban areas and basic service provision.**

BOX 3.2 THE GLOBAL CHARTER-AGENDA FOR HUMAN RIGHTS IN THE CITY

The **Right to the City** has become a touchstone for social movements, NGOs and government officials, bringing together numerous hopes and demands for urban settlements to be more inclusive, harmonious and united. This approach (adopted, for example, by many Brazilian cities and in the constitution of Mexico City) offers a comprehensive framework to integrate recognized social rights for all urban inhabitants, acknowledging the different expectations and goals set by the SDGs and the New Urban Agenda.

The **General Provisions** of the **Charter**, developed by the UCLG Committee on Social Inclusion, Participatory Democracy and Human Rights, are: i) Right to the city for all inhabitants with adequate living conditions, ii) Right to participatory democracy, iii) Right to civic peace and safety in the city, iv) Right of women and men to equality, v) Right of children, vi) Rights to accessible public services, vii) Freedom of conscience and religion, opinion and information, viii) Right to peaceful meeting, association and to form a trade union, ix) Cultural rights, x) Right to housing and domicile, xi) Right to clean water and food, xii) Right to sustainable urban development.

To access the full document, see: http://www.uclg-cisdp.org/en/right-to-the-city/world-charter-agenda/1.

Photo: Juan Antonio F. Segal - India Gate. New Delhi (India).

BOX 3.3 SYSTEMS OF CITIES[15]

The study of urban systems focuses on the relational aspects, interactions and interdependencies between cities in a territory – at the regional, national and even global level. Cities, when organized in systems, tend to include different types of relationships: i) functional relationships (the physical exchange of information, goods, or people), ii) hierarchical relationships (as cities are nested in regional or national institutional frameworks and serve territorial management functions), and iii) both competitive/synergic relationships. Economic theories of systems of cities try to explain why production and consumption activities are concentrated in a number of urban areas of different sizes and industrial composition, rather than uniformly distributed in space. The variables analyzed in this regard usually include functions, income, connectivity, productivity and quality of life, and specialization versus diversification, among others. Systems of cities are deeply rooted in the history of countries and territories. These long-standing characteristics make their arrangements recognizable and classifiable. A few keywords identify most of the city systems studied and analyzed in this report: the concept of monocentric, bicentric, and polycentric systems of cities, in the first instance.

Through an in-depth analysis, this report reviews the priorities of the New Urban Agenda in the context of the three main levels of sub-national governments, namely, i) metropolitan areas; ii) i-cities; and iii) territories – including regions, small towns and rural areas.

It introduces the concept of a **territorial approach to development** (TAD) to promote a paradigm shift in national development strategies, revising top-down approaches in favour of more decentralized or 'territorialized' and partnership-based approaches.[14] The report calls for better coordination between national, regional and local policies to strengthen the value of interconnectedness and cooperation – rather than competition – between territories, metropolitan areas and i-cities. As argued throughout the report, more cooperative relationships between levels of government and territories – as the basis of a more integrated and balanced urban system and territorial cohesion – can only be achieved through a radical transformation of our governance culture (see Box 3.3 on Systems of Cities).

Photo: Francesco Veronesi - Antananarivo (Madagascar)

4.

THE GOLD IV REPORT

Since the publication of its first report in 2008, the *Global Report on Local Democracy and Decentralization* (GOLD) has become an international benchmark in the analysis of local governments worldwide. The three previous reports contributed to a better understanding of the evolution of decentralization, local finance and the role of local governments in basic service delivery across the world.

GOLD IV calls for the acknowledgement of the essential role of local and regional governments in addressing the challenges of urbanization and achieving the key global development agendas. It makes a unique contribution to the global debate by moving away from traditional sectoral approaches and favouring, instead, a broader, territorial model.

Over the three years of its preparation, GOLD IV has drawn on the expertise of elected representatives, academics, as well as regional and local practitioners, through both direct collaboration and a series of consultations organized in collaboration with intermediary, metropolitan and peripheral cities and territories (including regions, small towns and rural municipalities). This constituency-based approach has provided a more integrated vision of development, based on the reality of local and regional government and their experiences on the ground.

Experts and academics with extensive knowledge of urbanization and its challenges, as well as the different territorial units analyzed in this report, have compiled each chapter, drawing on the results of the international workshops and consultations.

Chapter 1 on Metropolitan Areas addresses the complexity of the metropolitan age that is reshaping the urban landscape and the future of our societies. It emphasizes the rapid pace of change in metropolitan areas and aims to provide clarity about their role as engines of growth, as well as describe the positive and negative externalities that result from their race for competitiveness and attractiveness. Building on the evidence and practices of metropolitan cities, the chapter seeks answers to critical questions: what models of governance and financing do the metropolises of the 21st century need? What is the basis of a buoyant metropolitan democracy? Which strategies for economic development and new forms of collaborative and social economy should be employed? What are the costs and benefits of inclusive and integrated planning versus splintered urbanism? How can social inclusion be fostered and spatial fragmentation avoided? What is the role of metropolitan areas in building and scaling new patterns of production and consumption to reduce their ecological footprint?

As argued throughout the report, **it is in metropolitan areas that the battle for human rights, and for many of the principles enshrined in the Global Charter-Agenda for Human Rights in the City, is being fought**. These principles include combatting inequalities and marginalization, universal access to decent housing, basic services and culture, and the protection of human rights, gender equality and equal opportunities for all.

Despite their limits and constraints, metropolitan areas are where new alternatives for a more inclusive and sustainable future can be generated. If well-organized, financed and empowered, they can be prosperous, inclusive, safe and sustainable. Through analyses and examples, this chapter aims to contribute to a metropolitan narrative for a Global Agenda of Local and Regional Governments.

Chapter 2 on Intermediary Cities, examines the issues, concerns and opportunities that affect the development

GOLD IV has drawn on the expertise of elected representatives, academics, as well as regional and local practitioners

of these cities, as the vital nexus between the local and the global, and as an essential part of the national systems of cities that contribute to more balanced and inclusive territorial development.

Historically, i-cities have contributed significantly to territorial cohesion and the integration of their hinterlands, both as regional centres and providers of administrative and social services conventionally linked to local economic activities. This chapter analyzes the functions of i-cities, their economic and physical development, and how structural changes affect their ability to maintain their identity and reach their full potential. The analysis emphasizes, on the one hand, their 'human scale' and proximity as the source of potential competitive advantage and, on the other hand, the challenge they face in adjusting to rural-urban migration and the changes in national economies and global markets. The chapter analyzes the contrast between the many prosperous i-cities that have been able to innovate and optimize their role and the quality of life of their citizens, and those that have fallen behind, struggling to ensure sustainable development and better lives for all.

Many of the key components of the New Urban Agenda require a wider territorial approach

The chapter also looks at the place of i-cities in the broader landscape of urbanization, examining them in different regional contexts across the world. Despite their demographic and territorial relevance within national urban systems, i-cities are still neglected by global development agendas and many national development strategies. The chapter explains why these cities play a critical role in the achievement of 'inclusive, safe, and resilient' cities (Goal 11 of the SDGs) and in strengthening rural-urban ties while promoting more balanced urban systems.

Chapter 3 on Territories provides a multifaceted exploration of the potential of regions, small towns and rural municipalities to support a paradigm shift in national and regional development strategies and rural-urban interdependence. This chapter explains the recent evolution of regional governments across the world in the framework of decentralization and regionalization processes. It shows how efforts to harness the endogenous economic potential of territories are paving the way for a broader, territorial approach to development. The analysis explores the growing role of regional governments in shaping regional development strategies and their links with national development plans and polices. These regional strategies are supported by innovative economic initiatives that foster local development and many diverse environmentally sustainable experiences that range from climate change adaptation and mitigation to regional food security. Small towns and rural municipalities also have the potential to make important contributions to socio-economic development, social inclusiveness and welfare, and the protection of natural resources at a very local level. The chapter analyzes different typologies of rural-urban partnerships as a way to overcome institutional barriers and promote a rural-urban continuum.

All these factors suggest that regions, small towns and rural municipalities warrant considerably more attention than they have thus far received, and that they should figure more prominently in the economic, social and environmental development agendas of both developed and developing countries. As acknowledged in the Habitat III process, many of the key components of the New Urban Agenda require a wider territorial approach. The involvement of regions, small towns and rural municipalities is therefore just as critical as that of metropolitan areas and i-cities.

The report closes with a **Conclusion** that addresses the current global situation and the development challenges faced by the New Urban Agenda, linking them to the 2030

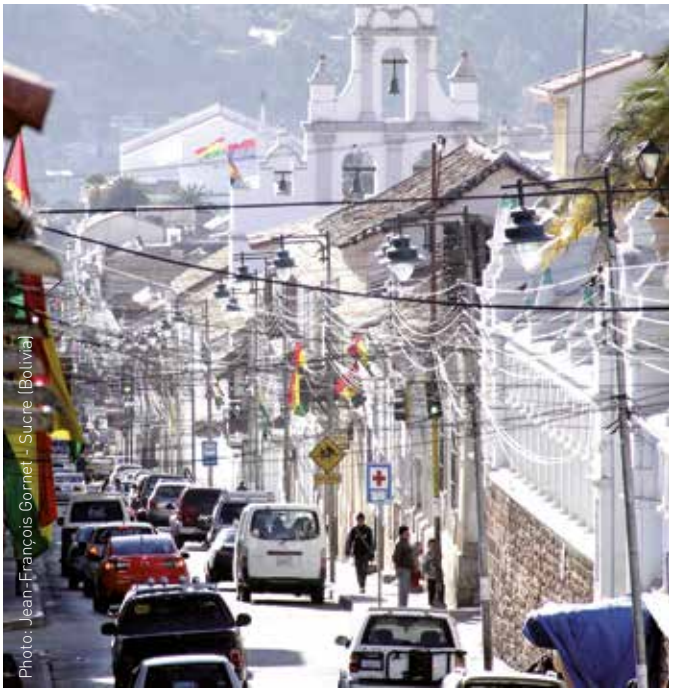


Photo: Jean-François Gornet - Sucre (Bolivia)

Agenda and the Paris Agreement on Climate Change. While the previous chapters describe the challenges facing different types of human settlements and the solutions required, the concluding chapter frames these within a larger development landscape, redefined by recent international agreements.

The conclusion explores key inter locking trends that threaten a sustainable future and suggests putting territorial governance at the heart of sustainable and integrated development strategies. These strategies should promote democratic governance, an inclusive economy, sustainable infrastructures, equitable urbanism and respect for the environment.

To strengthen this territorial perspective within global agendas, the chapter reviews the interdependent 'operating systems' – governance, infrastructure, land use, economic and socio-cultural systems – that must be aligned to support a transformative shift in urban and territorial development. It calls on national development policies to integrate different sectoral policies (urban, rural and infrastructure) into coherent national strategies, in order to create a truly multilevel governance system. Finally, it calls for flagship projects with disruptive potential to be identified and implemented.

In terms of the challenges of financing the New Urban Agenda, the conclusion points out that, while sufficient resources may be available, the necessary reallocation of capital and funds is a public policy choice. It makes the case for thorough reform of the financial sector, from the international to the national level, in order to make the transformative goals of today's development agendas viable and achievable.

At the centre of its analysis is the idea of a new social contract between citizens and local public institutions. This should be founded on two central pillars: the Right to the City and the 'co-production' of the city. Co-production refers to collaborative processes between social movements and local institutions to systematically construct a shared understanding of the scope and scale of problems, and to jointly devise a response. Co-production is part of the much larger canvas of shared governance; with this in mind, the report's conclusion proposes a set of building blocks to foster co-governance at the local level.

The final part of GOLD IV presents the foundation of the Global Agenda of Local and Regional Governments for the coming decade, a set of policy recommendations for all actors and stakeholders in the local and regional governance system. This agenda for metropolises, cities and territories is UCLG's contribution to the global debate, and an invitation for others to take the next step**: fostering alliances based on strong policies and actions to achieve prosperous, inclusive, safe, resilient and sustainable cities and territories**.

Photo: Davide Gorla - Mykines (Faroe Islands)

NOTES

1 Satterthwaite, *The Transition to a Predominantly Urban World and Its Underpinnings*.

2 Hardoon, Ayele, and Fuentes Nieva, *An Economy for the 1%*. See also, Piketty, *Capital in the Twenty First Century*.

3 Dobbs et al., *Urban World*.

4 Metropolitan areas are defined as urban agglomerations of more than 1 million inhabitants, taking into account the physical contiguous urban area and the pattern of its labour market. Intermediary cities correspond to urban agglomerations with a population of between 50,000 and one million people (see Chapters 2 and 3 for more detailed definitions). Definitions of urban areas, as well as of different territorial units, often vary across world regions, and depend on factors such as the unit of analysis (e.g. administrative boundaries, economic functions or built-up areas) or population thresholds. For example, whereas in Ethiopia an urban area consists of a locality of more than 2,000 inhabitants, in Japan it must have 50,000 or more inhabitants with 60% or more of the houses located in the main built-up area and 60% or more of the population engaged in manufacturing, trade or another type of urban activity.

5 WBGU - German Advisory Council on Global Change, *Humanity on the Move*.

6 World Bank, 'System of Cities'.

7 For more information on the methodology used in building the databases, please refer to the methodological appendix.

8 Habitat II, *Istanbul Declaration*, paragraph 12; Habitat Agenda, art. 177.

9 UN Habitat Governing Council, Resolution 21/3, 20 April 2007, and Resolution 22/8, 3 April 2009.

10 UCLG, *Decentralization and Local Democracy in the World*, 309–17.

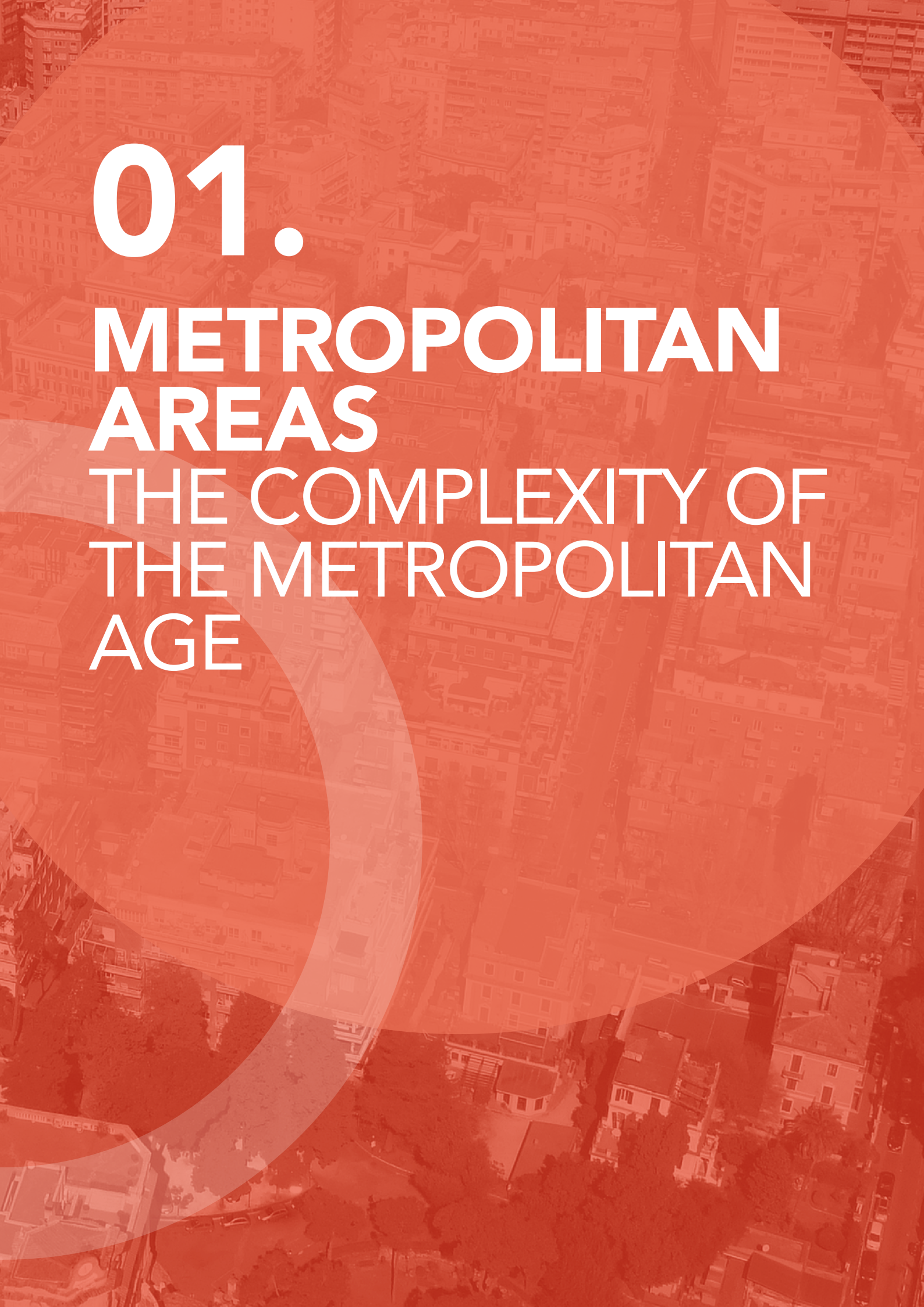
11 UCLG, *Local Government Finance*.

12 Dobbs et al., *Infrastructure Productivity*.

13 Gorelick, 'Funding Capital-Intensive Urban Projects'.

14 See Chapter 4, Section 3.1.

15 http://www.geoconfluences.ens-lyon.fr/glossaire/systemes-devilles-systemes-urbains.



01.

METROPOLITAN AREAS

THE COMPLEXITY OF THE METROPOLITAN AGE

1.
INTRODUCTION

The reality of the 21st century shows that the world has not yet adequately prepared nor adapted to meet the challenges of the 'metropolitan age'. An ever more integrated global system of cities, megacities, urban regions and corridors is reshaping the urban landscape and the future of our societies. Certain trends present critical questions for metropolitan areas worldwide. These include urbanization, globalization, regional conflicts, increasing inequalities, as well as the threat to environmental sustainability, the impact of new technologies and rising citizen demands for democracy. The most urgent of these questions is: 'How can metropolitan cities contribute to prosperity, equality, safety and a higher quality of life in an increasingly urbanized world, without jeopardizing our planet's natural resources?'

The pace and pattern of urban growth have triggered the emergence of a 'metropolitan scale'. As a result, most growing cities now span several municipal territories and other political boundaries. At the same time, urbanized areas are converging into integrated or functional labour markets and communities of shared assets and potential common interests. Now more than ever, residents of metropolitan areas adopt an 'urban mindset'.[1] Yet higher tiers of government have been slow to revise and upgrade the boundaries in response to this rapid settlement growth and population movement and change. It is essential for governments to foster leadership, strategies and governance that – in line with the principles enshrined in the global development agendas adopted by the international community – can manage this growth in an inclusive, equitable and effective way.

Metropolitan areas are where many of the world's most pressing problems can be resolved. As this chapter illustrates, these areas account for the majority of global economic output and offer real opportunities to address poverty, and socio-economic vulnerabilities and imbalances.[2] Their capacity for density, connectivity and efficiency also raises the prospect of de-coupling growth from wasteful energy use, land consumption and environmental damage. Meanwhile their spatial forms can enable a more integrated systems-led approach to smarter and fairer

BOX 1.1 METROPOLITAN AREAS SINCE HABITAT I: KEY FIGURES[3]

- There were 503 metropolitan areas with more than 1 million inhabitants in 2015: this number is growing, in absolute terms, by approximately ten metropolitan areas per year. In 1995, the year before Habitat II took place, there were 305; 20 years earlier in 1975, at the time of Habitat I, there were just 162.
- The 500 most populous metropolitan areas today are home to over 1.6 billion people. Just nine of them have lost population since Habitat I. Glasgow and Budapest have lost the biggest share, while the planned cities of Nay Phi Taw and Shenzhen are among the fastest growing.
- There were just five megacities of more than 10 million inhabitants at the time of Habitat I – Tokyo, Osaka, Mexico City, New York and São Paulo. Today there are over 30, three quarters of them in the Global South.[4] Nearly half of these had populations of fewer than 5 million inhabitants 40 years ago.

BOX 1.2 DEFINING METROPOLITAN AREAS

The definition of 'metropolitan areas' is complex and much debated, because such areas are still evolving and encompass diverse forms and processes. Two general definitions prevail. The first describes an area that is being continuously built-up and reaches a certain level of density outside the political boundary of the city. The second defines the wider urban settlement system, including those towns and villages that are highly dependent on the main urban centre or group of centres. According to the OECD, an area outside the core city is part of a metropolitan area if more than 15% of its employed residents commute into the city.[8] This chapter uses the term 'metropolitan area' to encompass both concepts: the physical contiguous urban area and the actual pattern (i.e. the functional geography) of its labour market. Accordingly, it defines metropolitan areas as 'functional urban agglomerations', so as to take into account the movement and relations of people in their daily lives.[9] However, Metropolis - the World Association of the Major Metropolises and UCLG consider metropolitan agglomerations to be those with a demographic threshold of 1 million inhabitants (although in Europe, cities of more than 500,000 inhabitants could also be considered metropolises).

The range of terms used to describe metropolitan processes often conflate different factors of function, scale, spatial form and level of development:

- **megacities** are widely understood to include cities with a population of over 10 million;
- **meta-cities** and **megaregions** have both been used to describe regions with more than 20 million people.[10]

Some terms insist on a more functional dimension:

- **city region** often signifies a regional tier of authority;
- **metropolis** implies a single metropolitan area which is a major centre of economic activity.

Care needs to be taken when selecting and using these terms. Failure to consider the nuances has meant many international benchmarks of cities' size and development lack the internal coherence needed for both scientific comparison and policy-making. In this chapter, 'metropolitan area' is the preferred terminology, while 'region' generally denotes a continent or sub-national level of government (federated state, province or department).

development.[5] One of the main aims of this chapter is to illustrate how governments can better engage metropolitan areas through a more integrated approach, in order to maximize synergies within and between them, as well as with other cities and territories.

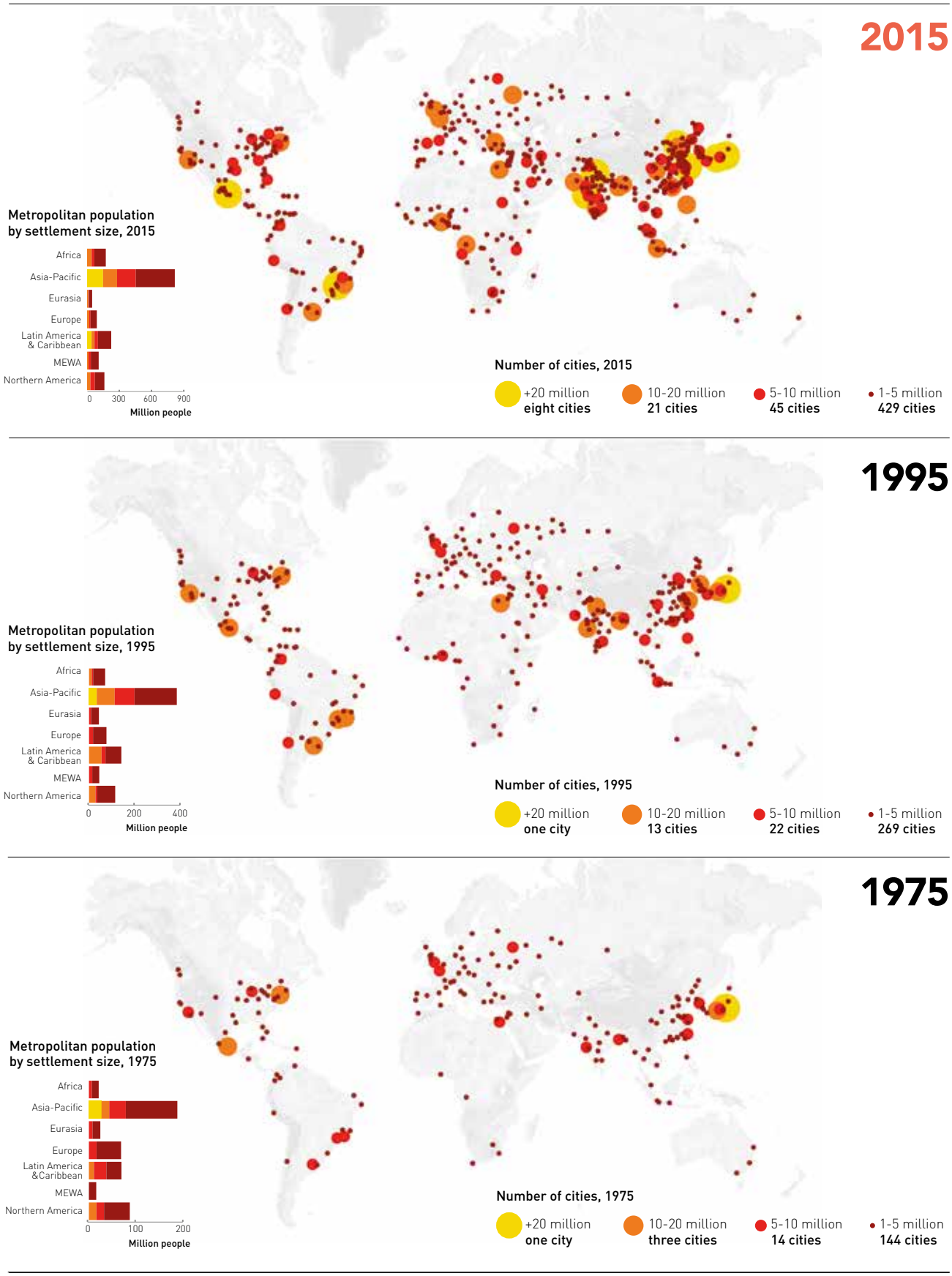
This chapter reviews existing evidence of metropolitan development to date, in terms of governance, economic development, sustainability and quality of life. This review emphasizes the rapid pace of change experienced in most metropolitan areas, and aims to offer clarity about the different geographies, definitions and drivers of metropolitan growth, as well as its opportunities and threats. Throughout, it showcases examples of positive and less positive reforms and innovations from around the world. Finally, the chapter concludes with 11 key messages.

1.1 GROWTH AND CHANGE IN METROPOLITAN AREAS

Metropolitan areas are still growing very fast. In the 200 largest areas, average population growth was 46% between 2000 and 2014, and the population of the fastest-growing metropolitan areas such as Xiamen (China) and Abuja (Nigeria) nearly tripled. Forecasts indicate similarly strong growth for the future (around 2.5% per year), with Asian and African metropolitan areas most quickly on the increase.[6] These trends are the result of both 'push' factors, such as increasing agricultural productivity, land-tenure pressure, conflict and natural disasters in rural areas, and 'pull' factors, such as job opportunities and access to institutions and services located in urban areas.

Many types of metropolitan areas now co-exist in the global system of cities. There are the globalized, 'established' metropolises, which host the densest concentrations of firms, capital and educated labour, such as Hong Kong, London, New York, Paris and Tokyo. There is also a recognizable group of 'emerging' world cities, business and political capitals of large fast-growing economies such as Istanbul, Mexico City, São Paulo and Shanghai. Furthermore, a growing cluster of 'new' medium-sized cities, such as Singapore, Boston, Cape Town and Melbourne, have become metropolitan in scale and deliberately specialize in a small number of international markets.[7]

Figure 1.1 **Evolution of metropolitan areas 1975-2015**
Source: UCLG and UN-DESA



BOX 1.3 METROPOLITAN PERIPHERIES[13]

The different conceptions of metropolitan areas have given rise to different definitions of **periphery.** This is illustrated by the variety of words that are used in several languages to describe 'peripheral' development, e.g. *banlieue, suburb, extraradio, periferia, sobborgo, jiaoqu*. The term also encompasses very different social and spatial realities (e.g. rich and poor residential areas). The growth of metropolitan areas has given rise to at least four dimensions of 'peripheral' development, which may appear in different combinations:

- geographical: many cities, municipalities and settlements are 'geographically' situated in the outer ring or far reaches of a metropolitan area. The degree to which they are spatially peripheral often changes over time. As metropolitan areas expand, those at the periphery may become part of the inner ring, and vice versa.
- political: cities and municipalities may be 'institutionally constrained' because of a lack of involvement, decision-making and political influence in metropolitan governance processes.
- socio-economic: in many cases, cities and municipalities that are peripheral in a metropolitan area can be economically disadvantaged, lack access to jobs and prosperity, and/or be 'underserved' by public services and amenities. These marginalized settlements can be located in distant suburbs or even in more central parts of metropolitan areas, including those that are central but in decline and *de facto* become 'peripheral' for development purposes. This 'peripheral' or 'splintered' urbanism (a concept further developed in Section 3) relates to urban spatial fragmentation and social segmentation.
- these three dimensions add up to a fourth – a 'subjective perception' of periphery by local residents who 'perceive' themselves as living in marginalized neighbourhoods and often look to other areas as part of the core. In this case, the periphery is an experience that is endured rather than desired.

As this chapter illustrates, the extent to which areas are central or peripheral may change and evolve as a result of economic trends, planning decisions and political choices. It is thus important for metropolitan areas to develop a much more sustainable and inclusive strategy for their peripheries.

1.2 MEETING THE DEMANDS OF THE METROPOLITAN AGE

The planning and leadership of metropolitan areas present major political challenges that require immediate action and focus. Most critical is the inclusion and integration of areas that are, or have become, peripheral to the urban economy, spatial form or institutional processes (see Box 1.3). In developing countries, a rapid urbanization process has often been characterized by weak planning and institutional development, as well as by the rise of informal settlements where many people live with limited or no access to basic services.[11] It is worth remembering that over 880 million people currently live in slums, most of them within metropolitan areas. Meanwhile in more advanced industrialized regions, the physical footprint of metropolitan areas is also growing. This is often as people flee land-value inflation and seek suburban lifestyles, and as more cities become part of new industrial value chains. In both developed and developing countries, metropolitan areas experience sprawl, social fragmentation, economic challenges and environmental threats. As recent surveys of city leaders highlight, these phenomena are both a cause and effect of congestion, inadequate public transport and low productivity, and are exacerbated by limited options to finance new infrastructure.[12]

The growing political and economic importance of metropolitan areas is not matched by public policies and reforms. Weak political cooperation, government fragmentation and inconsistent bureaucratic authority discourage joint efforts to tackle externalities in metropolitan areas.[14] **As the process of reform and adjustment has not kept pace with growth, local governments, mayors, councils and other appointed city-level authorities have found themselves inadequately prepared to deal with the intensified demands made upon them.**[15] The rise of urban social movements in past years in various cities – including Paris, São Paulo, Istanbul, and several cities in the United States – reflects the growing demand of citizens for a new 'Right to the City' and a rejection of the unevenness in the way metropolitan areas are currently managed.

Cities are a common good that should be protected in order to guarantee equal access to opportunities and the respect of human rights. The principles developed in the Global Charter-Agenda for Human Rights in the City, presented in the introduction of this GOLD Report, could become a global standard for participatory policies, and socially inclusive and environmentally sustainable actions in metropolitan areas. They should be a reference for the renewal of the social contract between local authorities and their citizens, strengthening local democracy and supporting a vibrant and engaged civil society.

The problems currently facing metropolitan areas raise seven key questions about how they can grow smartly, inclusively and sustainably in the future:

- What type of governance should metropolises of the 21st century promote?
- What strategies should metropolitan areas implement to manage their growth and mobilize necessary resources?
- How should metropolitan areas plan and adjust to reduce inequalities and social and spatial fragmentation?
- How can the development and resource needs of metropolitan areas be made compatible with the imperative to reduce their ecological footprint?
- How can metropolitan areas ensure universal access to infrastructure, housing, public services and social amenities?
- How can metropolitan areas work together with other cities and their hinterlands to promote inter-territorial cohesiveness instead of destructive competition?
- Can metropolitan areas incorporate the principles that inform the Global Charter-Agenda for Human Rights in the City, and protect and promote rights to culture?

The first of these questions is addressed in Section 2 of this chapter on governance. Section 3 on economic development provides a response to the second and third questions. Section 4 on sustainability and quality of life addresses the third question in more detail

In more advanced industrialized regions, the physical footprint of metropolitan areas is also growing

Photo: Andrea Ciambra-Toronto (Canada).

and provides further insight in response to the final questions. The conclusions return to the 'Right to the City' in metropolitan areas, before highlighting the key messages for the 'Global Agenda of Local and Regional Governments'.

This work also builds on the valuable efforts and engagements of Metropolis. Created in 1985, Metropolis is a network of more than 140 cities and metropolitan regions with more than 1 million inhabitants, advocating and fostering cooperation and knowledge-sharing among its members.[16] Through the PrepCity process leading to Habitat III, Metropolis defined a set of Basic Principles for Better Cities, consistent with the priorities of the New Urban Agenda and based on the belief that cultural and political issues are as important as economic and environmental ones.[17] This chapter is also based on the work of UCLG's Peripheral Cities Committee, a platform for peripheral local authorities, closely linked with the World Forum of Peripheral Local Authorities (FALP). The FALP network brings together nearly 230 local authorities from 32 countries, working with academics and social movements (see Box 2.4bis). The chapter also encapsulates many of the policy messages from the Habitat III process, and particularly from the Montréal Thematic Meeting on Metropolitan Areas (see Box 1.4).

As this report suggests, although the world is only a little way into the new 'metropolitan' century, it has already reached a crossroads. It is in metropolitan areas that the battle for many of the principles enshrined in the Global Charter-Agenda for Human Rights in the City is being fought. These include combatting inequalities and marginalization, the fight for universal access to decent housing and basic services, and the protection of human rights, gender equality and equal opportunities for all. There is little time left to avoid the irreversible damage of climate change, and metropolitan areas are at the forefront in building and scaling viable alternatives to fossil-fuel production and consumption. Metropolitan areas are also key to building more collaborative and sustainable relationships between cities and wider regional and national territories.

Despite their limits and constraints, metropolitan areas are a source of great promise. Well-organized, endowed and empowered they can be prosperous, inclusive, safe and sustainable. Through analyses and examples, this chapter aims to contribute to a 'metropolitan narrative' for a 'Global Agenda of Local and Regional Governments'. It reports on the progress achieved in metropolitan areas so far, and seeks to identify the key challenges and policy priorities for realizing their potential.

BOX 1.4 THE MONTRÉAL DECLARATION ON METROPOLITAN AREAS[18]

In October 2015, the Thematic Meeting on Metropolitan Areas was held in Montréal, as part of preparations for Habitat III. The Declaration that came out of that meeting defined the main challenges and transformations necessary for building more inclusive and interdependent metropolitan areas, as well as mechanisms for their implementation.

More specifically, the Declaration emphasized the need to:

- provide a clear legal and institutional framework for metropolitan governance based on the principles of democracy, local autonomy and subsidiarity;
- promote a new partnership with other levels of government to strengthen metropolitan governance mechanisms and implement financing mechanisms adapted to metropolitan challenges;
- develop integrated participatory planning to promote compact and mixed use, ensure sustainable mobility and environmental sustainability to fight climate change and ensure resilience;
- promote inclusive policies for housing, social services, gender equality and cultural heritage, with the aim of creating a healthy environment for all.

Participants at the thematic meeting also reaffirmed the need to place the 'Right to the City' at the heart of metropolitan policies, and ensure cohesion and solidarity between the territories which make up metropolitan areas. This was in order to promote equalization mechanisms and civil society participation in the decision-making process.

2.

GOVERNANCE: ESTABLISHED AND EMERGING MODELS FOR METROPOLITAN AREAS

Governance of metropolitan areas is one of the main levers to guiding and facilitating the transformation needed to fulfil the promise of a 'metropolitan age'. Sustainable metropolitan development depends upon strong political will, a lucid grasp of urban complexity, clear legal and institutional frameworks, adequate powers and resources, and the support of an active and involved civil society - all key components of effective governance. Instead, most metropolitan areas experience significant governance challenges and face an ongoing imperative - still unrealized - to adjust and reform.

Most metropolitan areas are 'accidental' outcomes of many cycles of development. As cities have grown beyond their historic political and electoral boundaries, their governance has become more complex and fragmented, comprising a series of local governments, authorities, agencies and interests that were not originally designed to address questions at the metropolitan scale. This means that they are usually governed by some form of 'power-sharing', and *ad hoc* and temporary coalitions with varying degrees of legitimacy and transparency.

In 2016, only a few cities have most or all of their metropolitan population governed within a single administrative territory (see Figure 2.1). For many, such as Sydney and Zurich, the original core city is dwarfed by the wider metropolitan area.[19] The legacy of metropolitan growth is often one of infrastructural shortfalls, competition and inequality across different parts of the metropolitan area.

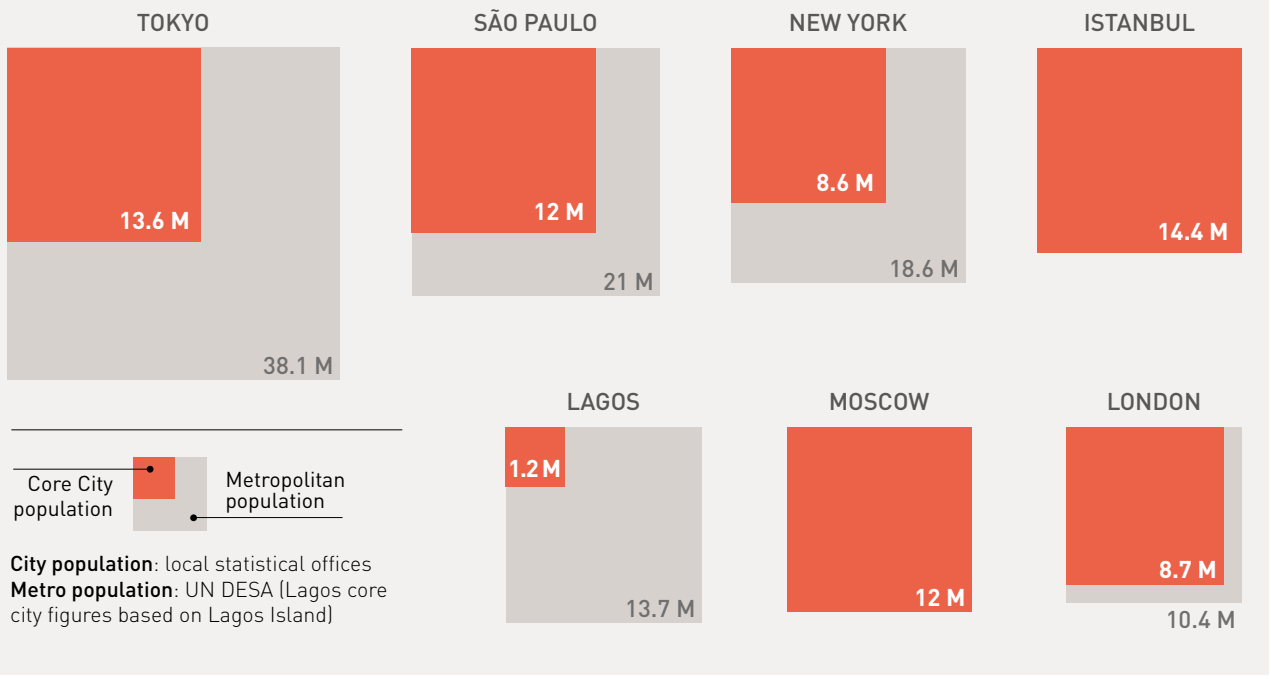
Most metropolitan areas experience significant governance challenges and face an ongoing imperative - still unrealized - to adjust and reform

Photo: Mike Linksvayer - Buenos Aires (Argentina).

Figure 2.1 **Population size of administrative 'core' city and metropolitan area in the largest metropolitan area in each of UCLG's seven regional sections**

Source: United Nations Population Division (2014). 'World Urbanization Prospects: The 2014 Revision', 2014; Thomas Brinkhoff, 'Metro Lagos', 2016

VISUAL MODEL DEVELOPED BY LSE CITIES



BOX 2.1 METROPOLITAN AREAS' BATTLE FOR RECOGNITION

The ability of metropolises to emerge as collective and coherent actors often depends on the inclination of national governments to recognize and support metropolitan challenges and governance needs. In many countries, metropolises are struggling with this. It is common for progress to be slow and incremental, but several countries have in fact taken important steps in recent years, for example in the regions of Latin America and Europe.[20]

In Brazil, a 2015 federal law has established the requirements for the institutionalization of metropolitan areas as well as guidelines for planning and multilevel governance.[21] In accordance with the rules and deadlines of the *Estatuto da Metropole*, the 39 municipalities that constitute the Metropolitan Region of São Paulo (*Região Metropolitana de São Paulo* - RMSP) and the State Government are together developing a Plan for Integrated Urban Development. This defines, among other goals, a suitable structure of metropolitan intergovernmental governance for the Plan's execution.

In Chile, metropolitan areas have now been recognized for the first time. In Colombia, a 2013 law improves the legal framework for coordinating and financing its six metropolitan areas.[22] In Mexico, a comprehensive regulatory process is addressing the country's growing 'metropolization' issues and, under this fledgling framework, multi-municipal conurbations of over half a million people will have metropolitan status. Meanwhile in Italy, 14 'metropolitan cities' were established by the *Delrio* law in 2014, with authority to oversee transport and planning. In France, metropolitan areas have been granted enhanced status, allowing for the creation of a dozen more metropolitan cities in 2015.

The increasingly complex landscape of urban metropolitan areas – megacities, metropolises, urban regions and corridors – requires new governance systems that address whole urban functional areas in order to overcome institutional, social and spatial fragmentation. Weak metropolitan governance undermines the potential of metropolitan areas to function as cornerstones of national development.

Leaders in metropolitan areas work within governance parameters that often leave them with insufficient formal authority to meet the challenges their city faces. The most serious gaps often include limited resources to invest in the necessary infrastructures; failures of coordination with other levels of government and among neighbouring local governments; compartmentalized sectoral polices that do not respond to metropolitan needs; and inadequate national support for urban agendas. In particular, the big development challenges faced by metropolitan areas require sustained action through several cycles of development and investment that generally transcend the short-term perspectives of political terms and electoral mandates.

Although the global momentum to recognize metropolitan areas and grant them legal status is growing (see Box 2.1), many reforms have lacked incentives and cooperative mechanisms to support or finance their integration.

For metropolitan areas to acquire and retain a governance structure that supports sustainable development, many have had to innovate through new flexible models and new kinds of reforms. Importantly, there is increasing awareness that metropolitan governance must address not only local governmental arrangements, but also the role of higher tiers of government and civil society. Drawing on international evidence and examples, this section firstly reviews the different types of government arrangements and processes of reform that metropolitan areas have undertaken. It then examines the roles of higher tiers of government and civic leadership organizations. Finally, it evaluates the potential for strategic planning to foster more integrated and participatory metropolitan governance and development.

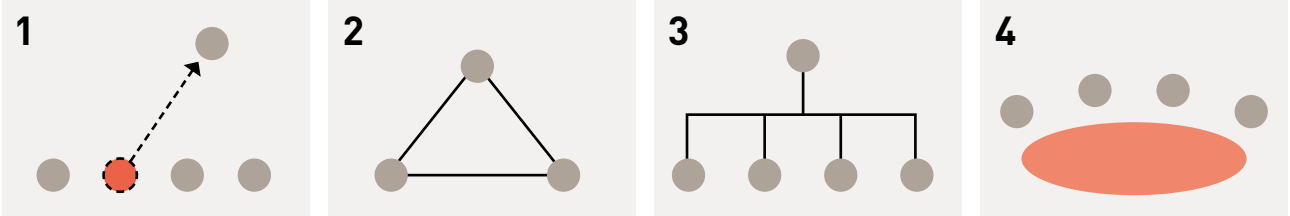
2.1 DIFFERENT MODELS OF METROPOLITAN MANAGEMENT

A metropolitan authority and representation system can now be found in most parts of the world. A 2015 review found that 68% of metropolitan areas in OECD countries have a metropolitan governance body working on regional development, transport and planning. Only a quarter of these bodies, however, has actual substantive regulatory powers.[23]

Metropolitan governance has taken many forms to achieve its goals, often reflecting deep-rooted national, political and cultural traditions. Scholars and analysts have frequently sought to compare and categorize models of metropolitan governance and management. While these do not cover the full spectrum of possible arrangements and to some extent neglect the impact of both higher-tier governments and non-institutionalized organizations (see Sections 2.2 and 2.3 for more details), four main models (see Figure 2.2) have been identified in the literature.

Figure 2.2 **Four models identified by the OECD**[24]

Source: OECD (2015)



1. Special status of metropolitan cities with broader competences
2. Inter-municipal and multi-purpose authorities
3. Elected or non-elected metropolitan supra-municipal structure
4. Soft, informal coordination in a polycentric system

The **single-tier metropolitan government model (1)** sees one government authority providing services to most or all of the metropolitan area. This model is often the result of either a merger of local governments, or designation by a higher tier of government as a special 'metropolitan city' (e.g. Moscow, Shanghai).[25] Sometimes these areas are 'over-bounded' well beyond the built-up area (e.g. Chongqing, Istanbul) or, more frequently, they are 'under-bounded' and have spilled over their administrative boundaries (e.g. Toronto).

Single-tier models are intended to create financial efficiency and economies of scale in service provision. They draw a larger tax base and are generally conducive to the creation of an identity and vision for residents and business to rally behind. Some examples of this model, however, have been criticized for their lack of efficiency, accountability or political legitimacy and limited channels for democratic engagement.[26] This has been seen in Toronto, Canada. The merger of local governments in Toronto in 1998 only integrated the central core of the wider functional region, rendering it too small to address regional transport and development issues. Although wages, salaries and service provision were all harmonized, the anticipated economies of scale did not materialize as costs unexpectedly increased.[27]

The diversity of governance models shows that there is no 'one-size-fits-all' solution

The **inter-municipal partnership model (2)** sees local governments voluntarily partner within a formal or informal purpose-driven framework. This mode has become increasingly popular globally, as it offers economies of scale without undermining the autonomy of local authorities to tax and spend. Municipalities may create metropolitan agencies to coordinate public assets (e.g. 'special districts' in the United States provide shared services across municipal or county boundaries) and support redevelopment in complex ownership situations, and even to act as mediators with central governments, private and non-profit sectors.[28]

The inter-municipal system works well when all cooperating municipalities share similar objectives, but has proven challenging whenever inter-municipal conflict emerges. A deep-rooted ethos of consensus politics, found in many metropolitan areas in Switzerland, the Netherlands and Sweden and, in some cases, in Canada and Australia, can make this voluntary approach highly effective, although these are exceptions rather than the rule.[29] Inter-municipal cooperation can, however, fill the vacuum in the management of services or other development projects and create the impetus for wider reform. This has occurred in Paris where, after a decade of joint efforts among over 100 municipalities, a new metropolitan government (*Métropole du Grand Paris*) came into force in 2016.[30] The *Métropole's* new governance framework maintains strong respect for the principle of subsidiarity, but its multi-layered complexity and the fact that it only encompasses 60% of the metropolitan population have cast doubt on its ability to effectively address Paris' development challenges.[31]

Photo : Carlos ZGZ - Shanghay (Chine).

Photo : William Veerbeek - Nizhny Novgorod (Russie).

Photo : Bert Kaufmann - Rome (Italie).

The **two-tier government model (3)** features an upper-tier citywide or metropolitan authority above a system of smaller local authorities. The upper tier usually manages spatial planning and development and delivers certain services, while responsibility for education, housing, healthcare and welfare is often retained at the local level. The balance of power between the two tiers may vary: some have a so-called 'strong mayor, weak boroughs' equilibrium whilst others have one that is 'weak mayor, strong boroughs'. At both ends of the spectrum, this model aims to combine the benefits of consolidated government while maintaining local accountability and responsiveness.[32]

There are many examples of successful two-tier systems, but the model is often incomplete and may require ongoing adjustments or reform. In some cases, the two-tier model is seen to operate effectively at the city level, while other regional or local governments preside over the wider urbanized areas into which development has spilled (e.g. London, Seoul and Tokyo). Elsewhere, a two-tier model even operates at different spatial scales, with a city government surrounded by a regional government (e.g. Madrid).[33] In other metropolitan areas, a two-tier model is thwarted by fiscal imbalances between the two levels. In Dar es Salaam, one of the world's fastest-growing cities, a metropolitan coordinating body was established in 2000, but the municipal councils receive much higher fiscal transfers than the metropolitan authority and have stronger working relationships with central government than with the metropolitan tier.[34]

Photo : Scott Lowe - Los Angeles (Etats-Unis).

Finally, the **informal and fragmented single-tier model (4)** has numerous separate local governments delivering services within the metropolitan area, without any overarching authority or body to encourage cooperation. The large number of local governments limits opportunities for coordination oriented towards economies of scale. Los Angeles is one prominent example, a region of 13 million people governed by 200 city governments and five county governments, with Los Angeles County at the centre. High fiscal and economic imbalances among different municipalities have been common in this kind of governance system.[35]

There are a number of exceptions that do not fit neatly into any of these models. Among the most notable are Singapore, Hong Kong and Dubai, three highly empowered cities that have much greater autonomy than most cities, and whose wider built-up areas beyond their borders have weakly defined parameters.

Most metropolitan areas are in fact 'hybrids' of more than one model, because of their complex geographies, the status of different delivery agencies, and the fact that they are nested within governance structures both above and below them. The diversity of governance models shows that there is no 'one-size-fits-all' solution. Constant transformations of large agglomerations will require the elaboration of newly evolving forms of governance – relying on stronger multilevel governance and multi-stakeholder dialogue – to respond to their new challenges.

All choices about metropolitan governance are trade-offs between scale, efficiency, access and accountability. Nevertheless, international evidence does suggest that mechanisms for metropolitan coordination can help unlock progress on integrated infrastructure, balanced development, increased rates of investment and shared identity. The subsidiarity principle remains essential as local governments are key decision-makers in the delivery of basic services. But substantive metropolitan coordination can ensure intergovernmental and multilevel coherence, align strategic decision-making, facilitate cost-sharing and cost-saving, improve the redistribution of resources within the metropolitan area, and offer an overarching goal for common development. A high coordination equilibrium

International evidence does suggest that mechanisms for metropolitan coordination can help unlock progress on integrated infrastructure, balanced development, increased rates of investment and shared identity

can contribute to eliminating perverse incentives and competition, promote social cohesion, develop more evidence-based policy, and improve land and development management. Metropolitan coordination is particularly important to strengthen regulation and oversee the delivery of public services, for example, to reduce transport deficits and the social and economic marginalization they perpetuate.

In practice, metropolitan coordination is rarely, if ever, absolute and seamless. It is usually partial, overlapping and not fully sequenced to match goals. Metropolitan areas must determine what their long-term development strategy is and define their coordination targets accordingly.

BOX 2.2 BUILDING A METROPOLITAN VISION FROM THE GROUND UP: GRAND MONTRÉAL

Historically, leaders in metropolitan Grand Montréal have struggled to collaborate on collective projects. After a provincial government's attempt to merge all 28 municipalities on the island of Montréal was rejected in 2006, a broader metropolitan organization grew into a regional management approach that balanced the needs and interests of the centre and periphery.[39] The Montréal Metropolitan Community (CMM) has since been governed by a council of 28 mayors.

The first-ever Metropolitan Land Use and Development Plan was devised and adopted in 2011, setting ambitious long-term targets for the economy, environment and transport. The CMM's sizeable budget for social and affordable housing has been important in establishing the right to housing and housing assistance at the metropolitan rather than municipal level.[40]

High-quality communications, public education and relationship-building have helped sustain momentum for the metropolitan process. A day-long metropolitan *agora* is organized every two years to bring elected officials, city workers, planners and civil society groups together from the 82 municipalities to discuss the future. This dialogue has deliberately focused on developing a strong sense of regional identity and allowed Montréal to showcase its cultural assets and good quality of life to an international audience.[41]

The cooperation achieved in this framework has even prompted the Quebec provincial government to grant more municipal autonomy on spending and governance to local governments via a new fiscal pact.[42]

2.2 DEMOCRATIC METROPOLITAN AREAS AND THE ROLE OF LOCAL GOVERNMENTS AS CONVENERS

It is a key challenge for metropolitan governance to deliver services and strategy effectively and accountably via transparent governance mechanisms, supported by strong citizen participation. This can be particularly difficult when fragmented governance arrangements, political parochialism and competition prevail, with increased inequalities between metropolitan districts an all-too-common outcome. **Empowered local governments with stronger democratic legitimacy are a precondition to achieving many of the behavioural changes necessary for inclusive and sustainable metropolitan development, and to creating a strong metropolitan citizenship and sense of belonging**. The role of local and regional governments in building successful democratically legitimate metropolitan areas has yet to receive sufficient focus.

Metropolitan areas with a limited history of partnership among local administrations are beginning to create more opportunities for dialogue and joint coordination. Their success depends on the availability of adequate legal tools and related incentives to achieve 'buy-in' from all levels of government – particularly from core and peripheral cities. Reforms, moreover, need to be tailored to different national and regional contexts.[36] This is important as peripheral jurisdictions often find it difficult to advance their interests over the interests of central cities, whose bargaining power with investors and higher levels of government can be superior.[37] Examples indicate that the democratic legitimacy of local government-led metropolitan partnerships is critical to building effective policies for larger regional issues (see Box 2.2).[38]

There are also many examples, however, where the forced merger of local governments or top-down imposition of metropolitan governments have been both unsuccessful and unpopular (see Box 2.3).[43] By contrast, bottom-up processes involving influential and charismatic local and city leaders are often at the heart of a longer-term consensus-building

process for metropolitan collaboration and collective action.

In many cases, local governments have been able to build voluntary bottom-up metropolitan partnerships despite a national context that largely favoured top-down arrangements. Greater Manchester in the United Kingdom is one example where a longstanding practice of voluntary partnership emerged over 25 years under the stewardship of committed and charismatic local politicians. This resulted in a Combined Authority being established to bring together ten local authorities and provide a stronger and more democratically legitimate model of metropolitan governance. This is the first statutory combined system of its kind in the United Kingdom and different from the two-tier system of government established in London. From this platform, Greater Manchester has been able to negotiate successfully with central government to achieve public sector reform, create new investment models, and gain control over key items of spending.

Within metropolitan areas, peripheral cities tend to have different perspectives on the methods and objectives of governance (see Box 2.4). This diversity and the need to involve all voices underline the importance of a polycentric and inclusive approach to metropolitan issues. The imperative for peripheral cities and territories is to create governance arrangements that reflect both their importance to metropolitan areas and their distinctiveness within them.

BOX 2.3 ABIDJAN, AN INCOMPLETE 'TOP-DOWN' METROPOLITAN APPROACH

Abidjan (Côte d'Ivoire) is an example of how metropolitan governance has been strongly shaped by central government in the context of political instability.[44] A 2001 reform gave the city government special status and the city council was replaced by an expanded metropolitan government operating at a higher tier. The new government is now led by a district governor appointed by the President of Côte d'Ivoire. As a result, the metropolitan government manages development and planning for the ten municipalities and three adjacent sub-prefectures. Serious political conflict in 2010-11 hampered further progress towards cooperation and, more recently, there have been signs of a lack of inter-jurisdictional coordination over urban transport developments.[45] Finally, in September 2012 (after a presidential election), the District of Abidjan was dissolved by a presidential ordinance and replaced by a governorate (an executive body) under the direct control of the national government.

BOX 2.4 POLYCENTRIC METROPOLITAN GOVERNANCE: DEMOCRATIC CHALLENGES AS VIEWED BY PERIPHERAL CITIES[46]

The legitimacy of metropolitan authorities is still widely debated. They are often accused of being technocratic and unrepresentative of the diverse interests and local contexts they are tasked with leading. The main challenge is ultimately to design metropolitan institutions in a way that does not deprive local territories, their representatives and their citizens of their voice in the decision-making process.

Viable metropolitan institutions, from the perspective of the periphery rather than the core, need to promote a 'collaborative and cohesive' metropolis in which each district or territory enjoys an actual power of 'co-decision' and 'co-production'.[47] The often neglected 'software' of shared coordination rules, rather than the 'creation of a new governmental institution (the 'hardware') so often favoured today, needs to be prioritized.[48]

Given the democratic deficits and substantial costs of hierarchically integrated metropolitan areas, many local governments and, in particular, those of 'peripheral cities' now support a model of polycentric or multipolar metropolises. This is based on a confederated or federated system in which a metropolitan authority co-exists with sub-metropolitan local governments, sharing their competences according to the principle of subsidiarity. This model encapsulates the challenges that territories face at the metropolitan level and promotes a democratic structure that neither marginalizes nor neglects those communities that are regarded as peripheral (see, Box 2.4 bis on the UCLG Committee on Peripheral Cities).[49]

A democratic and collaborative metropolitan governance system should observe several key principles: **local democracy**, with elected metropolitan authorities that are **accountable** to an active civil society; **subsidiarity**, with a clear definition of roles and powers between different levels of governments and among local governments; and **adequate resources and financial instruments** to encourage local governments' cooperation (see Section 2.3.1). A fair and sustainable metropolitan governance system, ultimately, is one that both incentivizes polycentric and balanced development, and is capable of ongoing adjustments to avoid lock-in to unproductive and unjust patterns of growth.

BOX 2.4 BIS UCLG'S PERIPHERAL CITIES COMMISSION AND THE CANOAS DECLARATION (2013)

UCLG's Peripheral Cities Committee is a reflection and exchange platform for peripheral local authorities which aims to respond to the challenges of metropolitan development across the world. The Committee is based on the work of the World Forum for Peripheral Local Authorities (FALP),[50] a network created to develop a single voice for peripheral areas while promoting the exchange of experiences. During one of its congresses in 2013, the network adopted the Canoas Declaration[51], which states: 'Our commitment to solidarity and polycentric metropolis, is the refusal of an urban civilization of 'ghettos', of all institutional and economic tutelage. It is the affirmation of the role of citizens, of the recognition and visibility of the periphery in the debate and metropolitan construction, so that each and every one lives in a territory that counts and contributes to the common project. To achieve this, there is no standard model or design. The paths to inclusive, solidary, sustainable and democratic metropolises, are to be invented for its citizens'.

Regarding governance, the Declaration states: 'We represent a diversity of realities, subjectivities, sensibilities that are named urban agglomeration, metropolitan area or region, or simply metropolis. But, whatever is the word used to qualify this reality, we all refuse to be invisible, we are convinced that our voices must be heard to overcome the challenges of our urban world'.

2.3 REFORMING METROPOLITAN GOVERNANCE

Whichever metropolitan governance arrangements cities inherit, adapting to economic and social change is a challenge that awaits each and every one of them. Cities are less and less self-contained and their governance boundaries increasingly overlap. A flexible geometry is therefore essential.

Governance systems are increasingly being reformed and upgraded, as national and city leaders lead substantive processes of invention and innovation. The reforms are often motivated by concerns about economic competitiveness, spatial growth patterns, investment deficits and regional coordination failures, and are designed to adjust and update the governance structure to 'catch up' with constant spatial expansion (see Box 2.5 on Ahmedabad).

Some metropolitan areas adapt their governance structures incrementally with administrative boundaries being gradually superseded, or alliances expanded, to adjust to new spatial realities (e.g. Amsterdam since the 1990s). Alternatively, an initial reform may be supported by periodic adjustments that add to or alter the powers held by city or metropolitan governments (e.g. London since 2000).

Other metropolitan areas are the subject of deliberate one-off reforms to solve institutional fragmentation. This may include a merger of local councils under a new executive mayor (e.g. Auckland in 2010), or a land extension to the metropolitan government (e.g. Moscow in 2012). Their successful implementation often depends upon a well-directed transition to allow a comprehensive strategy to be developed; collaboration with authorities 'outside' the new metropolitan boundaries, as well as financial or institutional support in future political cycles. Agreement about the appropriate size and scale of the metropolitan authority is usually critical.

2.3.1 The financing of metropolitan areas: the backbone of every reform

Financing and funding are two key pillars of metropolitan governance and reforms. Current estimates indicate that global

infrastructure investment is USD 2.7 trillion a year, well below the USD 3.7 trillion needed.[53] Many metropolitan areas operate within a 'low-investment, low-return' equilibrium, and their local governments lack the fiscal resources to invest in the infrastructure required for long-term growth. As a result of central governments' lack of capacity or willingness to invest in metropolitan areas, **fiscal decentralization has become a key agenda to promote sustainable development, equity and liveability**.[54]

Fiscal decentralization has been shown to be strongly correlated with increased prosperity and productivity, so that doubling the sub-national share of spending is associated with an average 3% increase in gross domestic product (GDP) per capita.[55] In many countries, however, fiscal decentralization is still pending. National legislation on metropolitan policy is not always accompanied by mechanisms to finance a metropolitan agenda, and many governments have effectively abdicated responsibility for investment, despite the returns that can accrue to a whole nation when agglomerations are economically and socially successful.[56]

Metropolitan fiscal challenges

The main fiscal challenge for metropolitan areas across the world is to elicit enough economic growth to be able to finance their increasing expenditures while at the same time organizing a cost-efficient governance of service delivery and inclusive policies. In this regard, many such areas are faced with **inadequate revenue tools and a low retention of raised taxation revenue**, which results in excessive reliance on intergovernmental transfers and equalization measures. When these are unpredictable, metropolitan areas cannot plan (e.g. for large infrastructure)

BOX 2.5 AHMEDABAD, A DISTINCTIVE CASE IN INDIA

Ahmedabad is one of the few cities in India to have a single authority, the Ahmedabad Municipal Corporation (AMC), which takes on all the responsibilities usually assigned to urban local bodies for the area's approximately 5.5 million residents.

Ahmedabad's success has been enabled by strong local governments and fiscal reform which allowed the AMC to become the first municipal body in India to enter the financial markets and issue municipal bonds. The AMC has maintained a strong credit rating, and has sought to eradicate cash losses. It has also reformed the property taxation system, in order to improve efficiency, accountability and transparency. Citizen participation in decisions to invest in transport and slum upgrades has been core to this metropolitan development.

Although challenges still remain, Ahmedabad's experience has shown how a consolidated government, in tandem with civil organizations, can extend access to public utilities and integrate residents into the wider urban community.[52]

Table 2.1 **Metropolitan governance reforms can take a wide variety of forms**

Source: Clark and Moonen

Rearrangements to government authority	1	Creation of metropolitan entity that represents municipalities.	Barcelona, Milan
	2	Supra-municipal elected government and parliament.	Stuttgart
	3	Metropolitan authority and directly elected Mayor.	Seoul
	4	Metropolitan Combined Authority.	Greater Manchester
	5	Shift from two-tier to single-tier.	Johannesburg
Boundary changes	6	Expansion of the boundaries of the metropolitan municipality.	Istanbul
	7	New city to absorb expansion.	Mumbai
Metropolitan partnership agreements	8	Regional alliance for international promotion.	Stockholm
	9	A voluntary metropolitan planning body for economic development.	Seattle
Reforms to local government	10	Reduction in number of municipalities.	Berlin
	11	Amalgamation of municipalities.	Toronto

adequately or reliably for the long term. Many commonly available taxes, moreover, are inelastic property taxes that are not proportionate to the increased spending demands in areas such as social welfare or housing.[57] To be sustainable, metropolitan financing systems should allow a return on investment to mobilize a sufficient part of the local wealth. Furthermore, **lack of clarity in the assignment of expenditure and delivery responsibilities** among different tiers of government means that metropolitan areas are often allocated revenue and spending tasks before functional competences are defined, and vice versa.[58]

Metropolitan areas often also have to contend with **net fiscal outflows** whereby the sums reinvested in them through government allocations are disproportionately low compared with the total tax revenue their activity generates. This phenomenon has been widely cited in capital cities such as London and Warsaw. Evidence from countries such as Italy suggests that increasing redistribution from successful urban areas often fails to activate a process of convergence between different regions.[59]

In developing countries, government-imposed **handicaps on the ability to borrow capital** have disincentivized innovation and delayed important infrastructure development.[60] However, given the urgency to invest, pre-financing tools are crucially needed. The most recent study found that only 4% of the 500 largest cities in developing countries could access international financial markets, rising to 20% in national markets.[61] Finally, an endemic **lack of local finance information** can erode the accountability, participation and creditworthiness of metropolitan governments.

Although metropolitan areas must continue to advocate for fair and predictable intergovernmental transfers, it is now a key priority for them to capture as much value as possible from the economic growth they generate (see Box 2.6). The development and optimization of value capture mechanisms, the strategic use of public land, local general taxation measures, development levies, planning approval fees, and negotiated investment pools, will be essential to sustainably finance metropolitan projects and services, while ensuring that fiscal decisions remain transparent and inclusive.[63]

BOX 2.6 THE REFORM OF LOCAL FINANCES IN LAGOS

Since Nigeria returned to civilian rule in 1999, Lagos has developed a much more effective model of metropolitan governance. The Lagos State government has seized the opportunity afforded by stability and managed to raise its tax revenues and use them to restore basic infrastructure and expand public services and law enforcement. The government undertook to increase its own fiscal capacity to meet public demands. Improvements in compliance and accountability have seen annual income and property tax revenues grow from USD 190 million in 1999 to over USD 1.2 billion in 2014. These additional funds have been used to build and maintain roads, clean up the city, improve security and introduce new public transport options such as high-capacity bus corridor systems. Annual capital expenditures nearly trebled in the five years from 2006 to 2011 to around USD 1.7 billion. Access to tax revenue has also given the government a strong financial incentive to promote economic growth. The last two political cycles have seen a more efficient state administration emerge, with high-calibre employees, implementation of tax reforms relying on partnerships with private contractors, and public outreach endorsing a social contract between taxpayers and the state. Lagos's experience highlights the importance of gaining societal buy-in by drawing attention to visible early achievements and being committed to wide service coverage.[62]

The path to metropolitan revenue self-sufficiency

Revenue self-sufficiency in metropolitan areas largely depends on the local tax base, which should constitute the primary source of revenue. Taxes on business activities can generate significant revenues for metropolitan areas (local business taxes, for instance, account for more than 30% of city revenues in China),[64] and are more responsive to economic growth. Property taxes are a key revenue source that, especially in developing countries, is often untapped due to various constraints (e.g. unrecognized settlements such as slums). The efficient implementation of tax instruments to preserve incentives and attractiveness; the shared coordination of tax collection; as well as the elaboration of fiscal responsibility laws to induce fiscally responsible behaviour and clarify local responsibilities, should all be taken into account as potential tools and innovations in this sector.[65]

Alongside more 'traditional' revenue sources (intergovernmental transfers, user charges, property and income taxes, sales and business taxes), metropolitan governments have been developing new mechanisms to capture future value and enhance the efficiency and accountability of private sector partnerships.

In order to address the gap between cores and peripheries in metropolitan areas, mechanisms of **horizontal fiscal equalization** have been used to support tax revenue-sharing throughout a metropolitan area to deliver combined services or economic development programmes (see Box 2.7).[66] This model of redistribution helps improve equity, reduce competition, and provides a collective fund for investments that can facilitate metropolitan growth.[67]

Value capture finance is another type of mechanism for fast-growing cities to retain and reinvest the wealth generated by public investments, supported by strategic public land management and finely-tuned instruments and regulations. Land-value capture mechanisms can provide up-front capital that significantly reduces reliance on debt. They require, however, adequate legal regulations to prevent them from distorting social and environmental objectives or deepening spatial and social segregation. Participatory and compensation mechanisms, in particular, are crucial to distribute the enhanced value fairly and resist an excessive financialization of the urban economy.[71] Similarly, many metropolitan areas are finding ways to generate additional savings and **revenues from their publicly-owned land and infrastructure**, adopting a more entrepreneurial approach to their property portfolios,[72] and managing strategic assets through full inventories, life-cycle costing, and de-risking of sites.

Municipal borrowing and bonds allow some local governments to access the capital market, catalyze investment and direct loans, or finance infrastructure up-front. This strategy has a long-standing tradition in metropolitan areas in many developed countries (e.g. the United States). Over the last decade, bonds have been used by metropolitan areas in transitioning and developing countries such as Bogotá (Colombia), Moscow (Russia) and Johannesburg (South Africa), among others. Diversified bond and borrowing strategies – either municipal or from other sources – are a viable option if local credit markets are deep and private investors perceive the local authorities' risk profile to be sufficiently low.

Robust Public-Private Partnerships (PPPs), such as build-operate transfers, concessions and joint ventures, can play an important role in improving the efficiency of service delivery in metropolitan areas. Although some PPP contracts have been unsuccessful or had negative consequences, the risks of failure are reduced when local governments design clear policy frameworks and are fully informed about the sector in question. While PPPs can improve the operational efficiency and economic stability of public services, it should be noted that they are not devoid of pitfalls and should not be seen as a silver bullet that will solve the lack of financial resources and infrastructure needs.[74] Currently, private investments in basic services are very limited (representing

BOX 2.7 FINANCIAL REDISTRIBUTION IN METROPOLITAN AREAS

Copenhagen is widely considered to have one of the most equitable and efficient metropolitan fiscal equalization systems in the world. Within the Greater Copenhagen area, fiscal equalization is entirely dependent on the municipalities, with no direct grants coming from central government. Wealthier municipalities contribute to poorer ones, resulting in increased equity in investment and service delivery across the metropole.[68] In 2014, 17 municipalities contributed around EUR 250 million to 17 other beneficiary municipalities.

Tokyo has also successfully implemented a fiscal equalization programme on a much larger scale. Its metropolitan government levies taxation and redistributes funds between its 23 wards. While it retains 48% of funds to provide collective metropolitan services, the remaining revenue is distributed between wards based on need. Meanwhile, in the United States, **Minneapolis-St. Paul** has also been running a successful metropolitan equalization programme for over 40 years. This has fostered balanced development while preserving local government autonomy. Its success helped inspire other metropolitan areas such as **Seoul** to adopt a similar scheme.[69]

A different example of a redistributive taxation system can be found in **Johannesburg**, where 'pro-poor' national objectives are enshrined in the actual structure of local tax systems, since poorer groups are exempted from land-revenue taxes.[70] The city is also developing a pool fund among municipalities to invest in common projects.

only 5% of global investments), and cover a limited number of sectors (telecoms, energy, transport and, to a lesser extent, water).[75] Other alternatives, such as Public-Private-People Partnerships (PPPPs) (see Section 4.2.3), involving public authorities, private actors and communities, should likewise be considered.

Increasingly, local governments are working together with banks, private partners and local communities to build bespoke funding instruments for policy and service delivery. The co-management of services, pooling of resources, developing complementary local currencies, and the establishment of savings groups to safeguard public goods, are worthy of more attention.[76]

Currently, investment lags well behind the pace and scale of urbanization. The sustainability of metropolitan areas around the world will greatly depend on the acceleration of investment and the rapid construction of alternatives to traditional financial mechanisms and debt-based approaches.[77] A failure to prioritize investment in metropolitan areas will have severe and potentially permanent economic, social and environmental consequences.

BOX 2.8 INNOVATIVE FINANCING STRATEGIES IN SHANGHAI

In the late 1990s, Shanghai developed an effective approach to urban financing that allowed it to better respond to increasing pressures for new mass infrastructure. In 1997, the merger of all municipal, local and industrial fundraising mechanisms into a single municipal agency, the *Chengtou*, created a one-stop shop for urban infrastructure. The new authority acted as a public real-estate developer, raising enough capital to finance nearly half the city's total infrastructure upgrades during the 1990s and 2000s.

As part of this process, state-owned enterprises (SOEs) acquired land from municipalities cheaply. After a first round of development, the SOEs sold the land or opened up shares at market prices, thereby preserving liquidity, and funding the next stages of development. More recently, the centralization and simplification of transport asset ownership has helped the municipality coordinate and integrate the transport network.

Shanghai's model is incomplete, however, and may need a future cycle of reform. Land sales provide only diminishing returns in the long term, due to the declining availability of land and the rising costs of development operations. A structural lack of transparency and information-sharing has also bred opposition among peripheral neighbourhoods and districts trying to preserve their tax base and autonomy in service delivery.[73]

2.3.2 The impact of reforms

Achieving substantive metropolitan governance and reform is not an easy task. Cultural resistance to institutional amalgamation is widespread, as residents tend to have a deeper sense of belonging and allegiance to localities than to larger conurbations. In addition, local political hostilities; disparities in municipalities' tax and institutional structure; fiscal emergencies at higher tiers of government; and legal disputes around spending and policy powers are common in derailing or circumscribing processes of reform. Evidence from Canada and Australia suggests that by no means do all metropolitan consolidations manage to achieve greater public sector efficiency or economic growth.[78]

Metropolitan governance reforms clearly vary in their ambition and scope. Many have only tackled limited issues rather than wider metropolitan challenges. Reforms are rarely perfect and often involve trade-offs. However, although longer-term evaluation of reforms is necessary, it is clear that many reforms have already had positive effects. These include strengthening metropolitan leadership, engaging local governments, improving spatial management, building trust and coordination among municipalities, and creating a culture of innovation and inclusion.

An inventory of good practices for the effective implementation of metropolitan governance should include:

- **broader consultations**, including all actors, to build a credible case for change, supported by robust background research;
- **strong leadership and advocacy**, both through personalities and institutions, to sustain momentum for reform;
- a long-term process of **cooperation and incentive-building by central government;**
- **collaboration and buy-in** from local governments, fostered via concrete projects and initiatives;
- **financial solutions that match the new governance structures** with corresponding investment resources and the promotion of equalization mechanisms within metropolitan areas;

- more integrated and **long-term strategic planning approaches, to include the whole functional metropolitan area** (see also Section 2.6);
- analyses of **the impact on infrastructures and services, to improve economies of scale and access for all metropolitan inhabitants;**
- the development of efficient tools and policies to **support metropolitan economic development, innovation and diffused prosperity within the metropolitan area and its hinterland** (especially by strengthening rural-urban linkages);
- **data openness and data-sharing** to inform and speed up decision-making;
- a system of **incentives and compensations for those who oppose reform or are likely to lose out in the process of resource reallocation;**
- reaching out to citizens, to **foster a shared sense of 'metropolitan belonging'** through cultural and other collective events.

All reform processes should be supported by capacity-building for metropolitan and local governments. This involves establishing new institutional settings (e.g. a metropolitan planning department, metropolitan transport authorities, a land management office, economic development agencies, social housing offices, crisis-management and coordination offices). It also necessitates developing appropriate knowledge and tools to manage and monitor metropolitan development, creating integrated cross-sector policies to protect common goods (e.g. natural resources, public space) and collaborating with other actors inside and outside government.

2.4 THE CONTRIBUTION OF OTHER TIERS OF GOVERNMENT TO METROPOLITAN DEVELOPMENT

National and sub-national governments (e.g. states, regions, provinces) are critical partners in the development of metropolitan areas, but there are many tensions that underlie these vertical relationships. The role of other tiers of government in supporting metropolitan areas and delivering reform has often been equivocal, not least because in some cases metropolitan authorities are viewed as potential competitors. A new deal between metropolitan areas and higher tiers of government, which prioritizes longer-term national policies to support metropolitan governance and investment reforms, and attends to the needs and aspirations of smaller and intermediary cities, is now urgently required.

As metropolitan areas grow, they experience side-effects and negative externalities for which national support and adjustments are essential. Some side-effects are generated by the metropolitan areas themselves (e.g. transport congestion, stretched housing and labour markets, public services, environmental vulnerabilities and social divisions); others by the siloed nature of national sectoral policies (land use, economic development, infrastructure, health and education); and some by larger

A new deal between metropolitan areas and higher tiers of government, which prioritizes the needs and aspirations of smaller and intermediary cities, is now urgently required

Photo: Mehmet Aktugan - Izmir (Turkey).

regions and the global context as a whole (growing disparities in productivity and prosperity, attraction of investments and international companies, immigration and cultural influence).

Despite these externalities, higher tiers of government are often slow to react to changes in the profile of their cities and to adjust city boundaries or powers to take account of growth. Such practices are politically unpopular and involve substantial adjustment costs and/or political capital. Yet metropolitan areas rely on central or state government to endorse processes of devolution, decentralization, and metropolitan thinking.

There are several interventions that higher tiers of government can make, and reform processes they can support, in order to improve metropolitan governance, fiscal arrangements and regulatory frameworks. These include:

- Recognition of metropolitan areas: Many **national governments still do not fully acknowledge the role of cities and especially metropolitan areas** as the primary engines of prosperity in the 21st century. To support the attractiveness of larger urban areas, national governments need to adapt policies to metropolitan challenges. As mentioned above, some countries (e.g. Argentina, Brazil, Colombia, Ecuador and Mexico) have begun to revise the status of their capital cities and/or adopt a less 'spatially blind' approach to metropolitan areas.
- Reform of metropolitan governance: National or state governments are usually the actors with the financial and legislative capacity to promote metropolitan reform. **Adequate legal tools and institutional frameworks are required to foster metropolitan governance that addresses evolving functional agglomerations** and related incentives to promote voluntary inter-municipal cooperation. National standards (such as population thresholds) could be established for identifying areas where metropolitan governance is required – taking into account the specific economic, social, environmental and cultural characteristics of different places.[79] National legislation is also needed to support transparent and accountable local governments and citizens' participation in local decision-making (audit and procurement systems, access to public information, open data, etc.).
- Update and adapt planning and regulatory frameworks: National governments can 'champion' and promote metropolitan areas and certain locations within them.[80] France, Japan and Korea are among those who have adjusted their national planning regimes to shape land-use decisions in their leading metropolitan areas, through subsidies, exemptions or special zones. Updated **regulations can empower local governments to improve land management and control real-estate and land-market speculation in order to tackle social exclusion and spatial fragmentation.**
- Support adequate levels of investment and partnership for services and infrastructure delivery: Many countries have implemented reforms to facilitate the participation of private and community sectors in service provision in recent years. But in some cases (e.g. Latin America), local governments consider legal frameworks relating to tendering, contracts and oversight to be insufficient or unimplemented. Cities need stronger fiscal and regulatory tools and capacity-building support from national governments to engage effectively in complex PPP projects in order to ensure affordable universal access to public services and the protection of public goods.
- National urban policies (NUPs) that have a clear perspective of metropolitan areas and the interactions among them and with intermediary cities and their hinterlands can foster a stronger, more polycentric system of cities. National departments can also facilitate networks and collaboration between metropolitan areas that are helpful in preventing binary and zero-sum perspectives.

In the future, higher tiers of government should recognize the distinct role of metropolitan areas, and the imperative to create policies and incentive frameworks that are calibrated to tackle metropolitan challenges, and which avoid perpetuating negative or unsustainable growth patterns.

2.5
THE ROLE OF CIVIC AND NON-GOVERNMENTAL ORGANIZATIONS IN THE GOVERNANCE OF METROPOLITAN AREAS

The active engagement and participation of actors outside formal government is essential for metropolitan governance to be effective and legitimate. **There is increasing demand for a democratization of metropolitan governance** that gives a bigger role to local organizations and citizens. Within this, more distributed governance and gender-inclusiveness are also being prioritized to stop the forms of discrimination to which women are still exposed, and to foster their involvement in local decision-making. However, the degree of public participation and inclusion in how decisions are made in metropolitan areas varies greatly. Much is influenced by historical tradition, political culture, social networks, local capacity, and the objectives and activities of metropolitan authorities themselves.

In general, the role of civic, gender and non-governmental organizations in governance structures has been increasing in many parts of the world. Legislative frameworks such as the National Reconstruction Development Programmes in South Africa, or the city statutes in Brazil, have shaped subsequent inclusive urban reforms in metropolitan areas such as São Paulo or Johannesburg. In Europe, many metropolises have adopted regulations to promote participation and transparency (e.g. neighbourhood assemblies in Barcelona, detailed in Box 2.9, and the debates on the *Grand Paris Express* or *Paris Metropole* meetings, among others). There is a strong and growing imperative to ensure that local and metropolitan governments fulfil democratic aspirations, recognize bottom-up initiatives, develop a real shared sense of belonging to the metropolis, and avoid the risks of technocratic metropolitan governance.[81] However, these practices have also raised criticism about the actual room for manoeuvre granted to autonomous bottom-up initiatives. Civil society organizations (CSOs) are thus requesting greater recognition of their rights in line with so-called 'participatory democracy'.[82]

2.5.1 Institutionalized forms of 'participatory' democracy: light and shade[84]

In many metropolitan areas, institutions have invited more direct input from citizens.[85] The Voice of the Mayors, published by the afore-mentioned Metropolis to disseminate the vision of metropolitan leaders, and the International Observatory on Democratic Participation (OIDP)[86] gather past experiences and lessons learned from participatory initiatives in metropolitan areas and cities.

Instruments of participatory democracy can create 'virtuous circles' of engagement between citizens and institutions through different mechanisms and channels (e.g. neighbourhood committees and assemblies, open town council meetings, councils for the elderly and youth, referenda, e-democracy, participatory budgets and planning, among others).[87]

Good metropolitan governance should also create mechanisms to promote women and girls' participation and decision-making in metropolitan institutions. This means women's leadership at every level of urban governance and active policies to end discrimination. Enhanced women's

BOX 2.9 THE BARCELONA METROPOLITAN AREA'S TRANSPARENCY AGENCY

The Transparency Agency of the *Area Metropolitana de Barcelona* (AMB) was created in December 2015 to monitor and deliver services related to the administrative transparency of the metropolitan institution. The Agency promotes effective regulations on transparency, right of access and good governance, coordinates metropolitan initiatives, and supports research and training. It also guarantees the availability of information and data on an AMB transparency website portal. The Agency has a consultative and collaborative role in the preparation of protocols and reports for the development of regulations, while reserving the right of access to information, and ensuring the fulfilment of obligations established by the regulations on transparency regarding interest groups. It has also promoted the creation of an Advisory Council on metropolitan transparency, the approval of codes of conduct among senior positions within the AMB, and the establishment of indicators of transparency and good governance for monitoring and evaluation.[83]

representation could guarantee better access to resources under more equal conditions and ensure that public policies address existing gender inequalities. Metropolitan areas taking the biggest steps in this area have invested in improving women's safety and security in public spaces, reducing violence against women, and training women to participate in and influence policy. They have also enacted laws and guidelines to make new governance institutions more inclusive.[88]

E-democracy is also changing forms of participation. The concept of e-government, introduced in the late 1990s, fosters the idea of serving citizens by improving their access to public services using new technologies. Over the past two decades, this has become a viable instrument to promote effective, transparent, accountable and democratic institutions.[89] The participation of citizens through digital instruments is a more recent development, but the concepts of 'Civic Media'[90], 'Smart Citizen'[91] and 'Digital Civics'[92] are already gaining ground.

The notion of participation, however, is not a panacea. Some initiatives have been criticized for favouring already privileged social groups, rather than those most excluded from public discourse. In Mumbai, for example, those with class and caste privileges have benefitted most from the opportunities offered by participatory democracy (see Box 2.11).[105] In many cities, in fact, participation has gone through a 'gentrification' process, or has been used to strengthen 'clientelism' networks (cronyism).[106] Metropolitan participatory democracy and its instruments should instead involve and engage citizens from the bottom up and throughout the whole decision-making process, as part of its aim to redistribute and reallocate resources.[107]

Participatory budgets: recent evolutions

Participatory budgets have revolutionized the ability of citizens to become involved in metropolitan governance. This is by making budgetary issues, normally the domain of elected officials, accessible to everyone. They are widely employed around the world today, with about 3,000 known initiatives.[109] The example of Porto Alegre (Brazil), where they were implemented for the first time in 1989, provides compelling evidence of their effectiveness, but also reveals some of their limitations.[110]

Participatory budgets have been criticized for limiting the sphere of engagement to a restricted number of citizens, weakening popular organizations and risking political manipulation.[111] To address these issues and create other channels of engagement, new practices have also been developed.

For example, in Canoas, a city on the periphery of Porto Alegre, 13 dedicated instruments have been put in place in the past eight years to support citizens' participation (with more than 185,000 inhabitants involved). These are used to gather information about collective demands (participatory budgets, neighbourhood committees, assemblies on commercial areas and public services); to gather information about individual demands (public hearings and engagement programmes such as Mayor in the Street and

BOX 2.10 CITYLABS AND INNOVATION: MASSACHUSETTS INSTITUTE OF TECHNOLOGY'S (MIT) SENSEABLE CITY LAB

Many metropolitan areas around the world have invested in CityLabs as a means of making city innovation and 'smart' agendas more inclusive. Some labs (such as the Massachusetts Institute of Technology's (MIT) Senseable City Lab)[93] have focused on projects that leverage big data for urban solutions. Others (such as Cornellà's CitiLab[94] and Barcelona's 22@),[95] have become flagships for smart city or economic innovation programmes. Living laboratories have also been established to foster the involvement of communities in innovation and development measures.

In South Africa, the African Centre for Cities is promoting CityLab projects in the greater Cape Town metropolitan area.[96] This is dedicated to the creation, measurement and preservation of a healthier urban environment;[97] the control and reduction of urban violence and the strengthening of public safety;[98] as well as innovative approaches to housing policy and the delivery of housing services in otherwise marginalized areas.[99] In Mexico City, the municipality has established *Laboratorio para la Ciudad* (Laboratory for the City)[100] as an open-government[101] technology-driven platform that involves citizenship, especially young people and those engaged in the informal economy. Because of the city's huge size and population, Mexico City is a quintessential living laboratory for civic innovation, creativity-driven policies, social and urban experiments, and so-called 'provocations'[102] to bridge grassroots demand with government action.[103] UN-Habitat's recent initiative, Digital Civics, engages children in City Builder Labs to build public space by playing the well-known Minecraft game; youth in City Changer Labs to solve urban issues with mobile technology, and citizens of all ages in City Maker Labs to improve quality of life with digital fabrication.[104]

Mayor in the Metro); as coordination tools (such as the Agora Network); to coordinate (e.g. the Social and Economic Development Council or the Council House); and for strategic development (City Congress, multi-year participatory and sectoral plans).

Already recognized at the international level by the International Observatory on Democratic Participation (OIDP), these tools mix online and offline channels for social dialogue, expanding citizens' engagement in both expenditure planning and revenue discussion.[112]

The integration of multiple channels of participation can be seen as a way of diversifying engagement, accommodating different interests and increasing the number of participants, as seen in cities such as New York, Johannesburg and even some cities in China.[113] In Seoul, for example, the metropolitan government has recently promoted a Citizens' City Hall Programme that combines an open-door policy for ideas and opinions with on-site visits, allowing the public administration to discover solutions not from behind a desk but rather through direct community engagement.[114]

In complex metropolitan areas, however, there are specific challenges. These include: the growing distance of such institutions from the daily life of citizens; the scale and differentiation of the problems to be solved; and the need to harmonize decisions coming from different local or intermediate governments. These are all factors that risk 'diluting' or 'polluting' citizens' perceptions of processes of social dialogue as real spaces for direct participation with guaranteed outcomes. But numerous experiments are helping to 'scale-up' citizen participation beyond the municipal level.[115]

The concept of participation is changing, moving beyond simple consultation to creating a space that will **eventually rebalance the distribution of decision-making powers in society**. This requires local governments to respect some basic conditions, such as the empowerment and autonomy of social movements and local stakeholders. 'Enablers' of citizen engagement need to be simple, reciprocal, representative, inclusive and people-oriented. They need to take privacy rights and citizens' feelings seriously, encompass transparent and shared rules, and endow citizens with real decision-making powers. Furthermore, local governments must develop an increasing number of participatory processes, online and offline, which are balanced and implemented regularly and in the long term.[116]

BOX 2.11 NEIGHBOURHOOD ASSOCIATIONS' PARTICIPATION IN METROPOLITAN GOVERNANCE: THE EXAMPLE OF INDIA'S METROPOLISES[108]

In the past few years, a number of Indian metropolitan areas have launched participatory programmes to engage citizens, NGOs and community bodies in a bid to improve city infrastructure and economic development (Bangalore, Delhi and Hyderabad, for example, underwent a number of forms of 'e-governance'). Their experience of neighbourhood associations highlights the ambiguities of participatory democracy and its processes. In the last 20 years, these associations have become a legitimate interlocutor in urban governance and have helped renew and enhance India's local democracy. Despite concerns of democratic deficit (e.g. co-optation) and elitism (i.e. the concentration of extensive political influence in local elites), they have made public authorities in metropolitan areas more transparent, accountable and responsible, and have allowed the middle classes to mobilize politically. However, the effectiveness of neighbourhood associations as a representative 'voice' is in question. They have largely favoured the privileged over the poor and the needs of the most disadvantaged have rarely been defended. It is essential, therefore, that mobilization and inclusion of individuals and collectives reflect the high degree of social diversity of metropolises, so that all interests and voices are considered and heard in the decision-making process.

2.5.2 Civil society initiatives[117]

Besides these instruments, other forms of democratization, initiated by civil society in its broadest sense, play an increasingly important role in metropolitan governance. Many local governments have decided to work with existing rather than create new citizens' movements, as a more sustainable way of engaging communities directly (e.g. 'neighbourhood tables' in Montréal).[118] Thus, the role of citizens' associations committed to the improvement of living conditions and housing policies, and the promotion of the 'Right to the City', are now more visible than ever in many metropolises. This is happening both in highly urbanized and more recently urbanizing countries.

There is plenty of evidence of the power and dynamism of such movements. For

example, an informal grassroots 'shadow ministry' of housing has been created in Egypt to produce critical information for housing policies.[119] *Un Centre Ville pour Tous* ('A City Centre for All') in Marseille (France), has supported neighbourhood renovation without any population displacement. The NGO, the Society for the Promotion of the Area Resource Centers (SPARC), has in the past led various initiatives in Mumbai's slums to avoid evictions. Cooperatives of architects and neighbourhood committees have joined forces in Caracas (Venezuela) to regularize urban plots.[120] Johannesburg has promoted the 'Josi@work' initiative for 'co-production' and delivery of services by municipality and grassroots associations.[121]

These empowerment processes are catalyzed by local associations, with or without the help of NGOs, whose room for manoeuvre and negotiating power improves whenever they build on national coordination. They tend to rely heavily on community leaders who advocate an approach to collective action that is not 'clientelistic'. As an example, Shack/Slum Dwellers International (SDI), with a presence in 33 countries, has been able to develop a strategic alliance with an Indian national women's organization active on microfinance (*Mahila Milan* – 'Women Together') and SPARC.

This has included women and pavement dwellers at the core of its governance, leading to a number of initiatives ranging from resistance to eviction to savings groups, the building of new social housing units and self-management of planned displacements (as in the case of slums sprawled along railways). One example of its success is that it has managed to expand its savings group network to 65 Indian cities.[122]

There is growing consensus that the diversity and skills brought by immigrants are a driving force for social, cultural and economic development in metropolitan areas

2.5.3 Migration, integration and welcoming metropolitan areas

There is growing consensus that the diversity and skills brought by immigrants are a driving force for social, cultural and economic development in metropolitan areas. The governance of migration is an increasingly complex and pressing task for those areas that absorb domestic and international populations. While national governments decide on the overall framework for immigration, responsibility for attracting, retaining and integrating immigrants is usually shared by municipalities and metropolitan governments. Non-governmental actors are increasingly active in supporting this process, especially where interventions are needed to reduce social division and discrimination.

Collaborative governance between CSOs and local governments to integrate immigrants has proven effective in many metropolitan areas. In Vancouver, for example, the Multicultural Advisory Committee has been a bridge between civil society and municipal governments, enabling community capital.[123] Municipal administrations and community services have also partnered in Stuttgart as part of the city's Pact for integration, focusing on equal opportunities and the role of cultural diversity as a community and economic asset. Since 2000, the Greater London Authority (GLA) has had an equality policy to fight cultural, social and economic exclusion affecting London's immigrants, minorities and women, with a strong inter-sectional perspective.[124] Many cities are developing proactive policies to facilitate the integration of immigrants.[125]

A network of metropolitan cities in Europe, including Barcelona, Madrid, Paris and others, have mobilized to become 'Cities of Refugees' in response to the humanitarian crisis of refugees and migrants coming from Syria and other regions.[126] As regards internal migrants, the municipality of Chengdu, China, adopted a pioneering migrant inclusion policy allowing them to express their concerns at the community level, including about public resource allocation. Other cities are following suit.

2.6 STRATEGIC PLANNING: A GOVERNANCE TOOL FOR PARTICIPATION AND INTEGRATED METROPOLITAN MANAGEMENT

Strategic planning is an important stimulus to positive reforms and cultural change in metropolitan governance. This is within the overall objective of promoting integrated development by combining urban policies with economic development and management strategies. In many larger metropolitan areas, strategic plans have become important tools to achieve a longer-term framework for managing their development.

This is predicated on a shared assumption that housing, transport and sustainability policies cannot be adequately addressed in short-term four to six-year electoral or investment

cycles. It also seeks to analyze and develop the metropolitan area as a whole as a living system, rather than just the sum of its individual jurisdictions. In principle, the strategic process allows cities to build a vision and an overarching framework, promoting the integration of mutually reinforcing initiatives and actions.[127]

The preparation process engages many actors, promotes dialogue, and puts metropolitan issues on the agenda of key decision-makers, which can contribute to the strengthening of metropolitan governance. It is an opportunity to plan collaboratively across the many territories that share a functional metropolitan geography, preserving a participatory approach that includes local stakeholders and civil society. Its impetus should go beyond official political mandates and synchronize activity between local governments, as well as with the private sector, civil society and key regional institutions.[128]

Different metropolitan areas, ranging from advanced and high-income to middle-sized ones, to large megacity agglomerations (see Table 2.2), implement strategic planning to address their particular local constraints.

Leaders need to move away from fragmented sector-specific decision-making to a more strategic approach that takes into account the systemic tensions between inclusion and sustainability and the necessity for growth. Those with a shared, overarching vision, undertaken in an inclusive way, underpinned by strong urban governance, institutional coordination

Table 2.2 **Examples of strategic planning approaches at the metropolitan level**
Source: Clark and Moonen

City	Strategic plan	Year last updated	Target date	Areas of focus
Auckland	Auckland Plan	2010	2040	Transport, housing, liveability, young people.
Barcelona	Barcelona Vision 2020	2010	2020	Entrepreneurship, research, transport.
Dar es Salaam	Master Plan	Approval process	2032	Spatial structure, transport, density.
Lima	PLAM 2035: Metropolitan Urban Development Plan for Lima and Callao	2015	2035	Budget planning, project structuring, legal tools, single transport authority.
London	London Plan	2015	2031	Regeneration areas, town centres, transport.
Melbourne	Plan Melbourne	2014	2050	Jobs and investment, housing choice, governance, water, liveability, transport.
Nairobi	NIUPLAN: Nairobi Integrated Urban Development Master Plan	2014	2030	Decentralized CBD; railway development; water distribution network; storm water drainage system.
New York	Fourth Regional Plan	1996 (2017)	2040	Parks, waterfronts, open spaces, transport projects.
Paris/Île-de France	Île-de-France Regional Master Scheme	2013	2030	Planning, density; economic development; housing; environment; mobility/transport; energy; equipment; services; natural and technological risks; heritage.
Rio de Janeiro	Strategic Development Plan of Integrated Urban Metropolitan Area	2015	2030	Universal sanitation transport integration and electronic card; information system between local governments to avoid natural disasters; broadband access; tax incentives.
Riyadh	MEDSTAR: Metropolitan Development Strategy for Arriyadh Region	2003	2023	Road network traffic management plan; King Abdullah Financial District suburbs; new sub-centres.
Seoul	Seoul 2030	2009	2030	Citizen participation, equal opportunity, jobs, culture, sustainability.
Shanghai	Shanghai 2040	tbc	2040	Human-oriented, green and innovation-led development.
Tokyo	Creating the Future: The Long-Term Vision for Tokyo	2014	2020	Ageing society, disaster resilience, economic zones.

and broad coalitions that support and ensure continuity of execution and implementation, are better positioned for success. A long-term blueprint is needed that can be turned into granular, short-term actionable plans and that responds well to local economic and social change. When these factors are in place, there is the potential to achieve otherwise difficult tasks: preventing peripheral areas or population groups from becoming permanently excluded from access to jobs, prosperity and social capital; integrating land policy and infrastructure provision; promoting mixed-use neighbourhoods; preserving cultural heritage and identity; enhancing energy efficiency; and promoting compact and polycentric urban spaces.[130]

Nevertheless, not all strategic plans are successful in their formulation and implementation. Development priorities in each metropolitan area are often contested and there is frequently the risk of certain government and investment interests having a negative effect on, and jeopardizing, meaningful citizen participation. Certain public authorities have, in fact, tended to prioritize plans that are primarily driven by economic development objectives, so as to position metropolitan areas favourably in terms of global competition, ignoring social and environmental dimensions. Similarly, citizens' participation in the elaboration, management and monitoring of urban strategies will often be limited to a consultative role (public surveys, workshops, forums and polls) as the decision-making process is mostly controlled by political and administrative authorities.[134]

Many cities – Singapore, London, Mumbai, Cairo,[135] Algiers[136] and Brussels[137] – have developed urban strategic planning documents, often with the support of external groups of experts aimed at engaging the business community in supporting the metropolitan economy and building new alliances to respond to global competition.[138] But some of these strategies have elicited criticism from civil society and other social actors due to limited consultation.

However, in entities as institutionally crowded and socially imbalanced as metropolitan areas, the strategic planning process is still one way to engage and enrol all governments, institutions, businesses, community bodies and citizens in the common project of governing the metropolitan space.

Future strategic planning can contribute to the improvement of governance, legal and social mechanisms that lead to effective urban policies and their enforcement in metropolitan areas. The potential dividends of this include: **simple, effective legislative and regulatory frameworks** that foster a more collaborative relationship between national and local goverments; strategic visions cascading into feasible and actual implementation plans; **inter-agency cooperation and cross-level policy consistency; and knowledge-sharing tools to guide and inspire** rather than prescribe and limit the potential of strategic urbanism for metropolitan areas.[139] Strategic plans present a policy opportunity whose potential, in most metropolitan areas around the world, can be unlocked by ambitious and inclusive local governments.

BOX 2.12 TWO EXPERIENCES OF STRATEGIC PLANNING

Johannesburg's strategy for 2040

Since 1999, Johannesburg has sought to create a strategy to build its institutional foundation, rethink the nature of local governance and create a successful city that meets the needs of its citizens and other stakeholders. The Joburg 2040: Growth and Development Strategy (GDS) was developed in 2011, breathing new life into the strategic process. Joburg 2040 GDS is both an aspirational document that defines the type of society Johannesburg seeks to become by 2040, and a long-term planning instrument with a set of strategic choices to guide the city's development trajectory. It lays the foundations for multilevel, multi-scalar and integrated responses to the city's urban challenges and encapsulates the long-term perspective on urban development into succinct outcomes and outputs aimed specifically at achieving smart and inclusive growth by 2040.[131]

Local democracy and planning in São Paulo, Brazil

The city of São Paulo produced a new master plan, approved on 30 June 2014 and enacted as a new law on 31 July the same year.[132] This provides a number of guidelines for the development of the city over the next 16 years. Together with public hearings, meetings and workshops that were part of a comprehensive participatory process, the Municipal Department of Urban Development (SMDU) launched the digital platform Gestão Urbana ('Urban Management'). This allowed greater access to data and provided innovative participatory tools, such as an online proposal form, shared map and collaborative draft bill for citizens to post specific comments and suggestions for each article. This process was agreed, from the outset, with civil society and the Municipal Council of Urban Policy (CMPU). In total, 114 public hearings were carried out, with the participation of 25,692 people. In addition, 5,684 proposals were made in meetings and workshops, and another 4,463 suggestions were sent using digital tools.[133]

3.

ECONOMIC DEVELOPMENT IN METROPOLITAN AREAS

Metropolitan areas concentrate an unprecedented share of the world's wealth, business activity and innovation.[140] The GDP of certain metropolises is higher than that of some nation states. For example, Tokyo, New York City, Los Angeles, Seoul, London and Paris would all rank among the world's 30 largest national economies in terms of GDP.[141] Larger metropolitan areas in particular have the potential to help national economies become more globally connected and productive and in principle they are able to diffuse multiple benefits across national urban systems through enhanced connectivity, economic specialization and cooperation. To realize this, metropolises are increasingly tempted by global competition to attract business and investors through the promotion of prestigious investments or global events. At the same time, however, these strategies expose the urban fabric and citizenship to significant tensions, creating substantive negative externalities with often overlooked social and spatial effects (e.g. exclusion and gentrification), and dramatic environmental impacts.[142]

This section reviews some of the key economic dynamics at play in metropolitan areas, and the need for economic development strategies that both harness the positive externalities and address the negative externalities of their inputs. It also critically assesses the consequences of growing competition between cities in the current cycle of globalization, and examines the potential for alternative approaches oriented around 'attractiveness', to reconcile the need for prosperity with the wider goals of justice, inclusion, environmental protection and territorial cohesion. The environmental dimension will then be addressed specifically in Section 4 of this chapter.

3.1 METROPOLITAN ECONOMIES, AGGLOMERATION AND POSITIVE EXTERNALITIES

Metropolitan expansion is, to a certain extent, the spatial and sub-national expression of globalization processes.[143] Economic development has become more complex with increased globalization, economic liberalization, population mobility and technological evolution. Jobs, workers and capital have become highly mobile and increasingly concentrated in metropolitan areas. Global foreign investment has more than trebled since 1996, when Habitat II was convened, from USD 350 billion to well over USD 1 trillion, and the share of inflows to developing countries has increased from a third to more than half this amount.[144] Numerous economic sectors are becoming globally traded, from established sectors such as financial and professional services, to newly internationalized sectors such as creative industries, clean technology, higher education, engineering and architecture.[145]

The close links between metropolitan growth and globalization have given rise to a whole literature that attempts to analyze these phenomena and describe, at the same

Economic development has become more complex with increased globalization, economic liberalization, population mobility and technological evolution

time, the development of large cities that, while well interconnected at the global level, seem increasingly disconnected from their own hinterlands.[146]

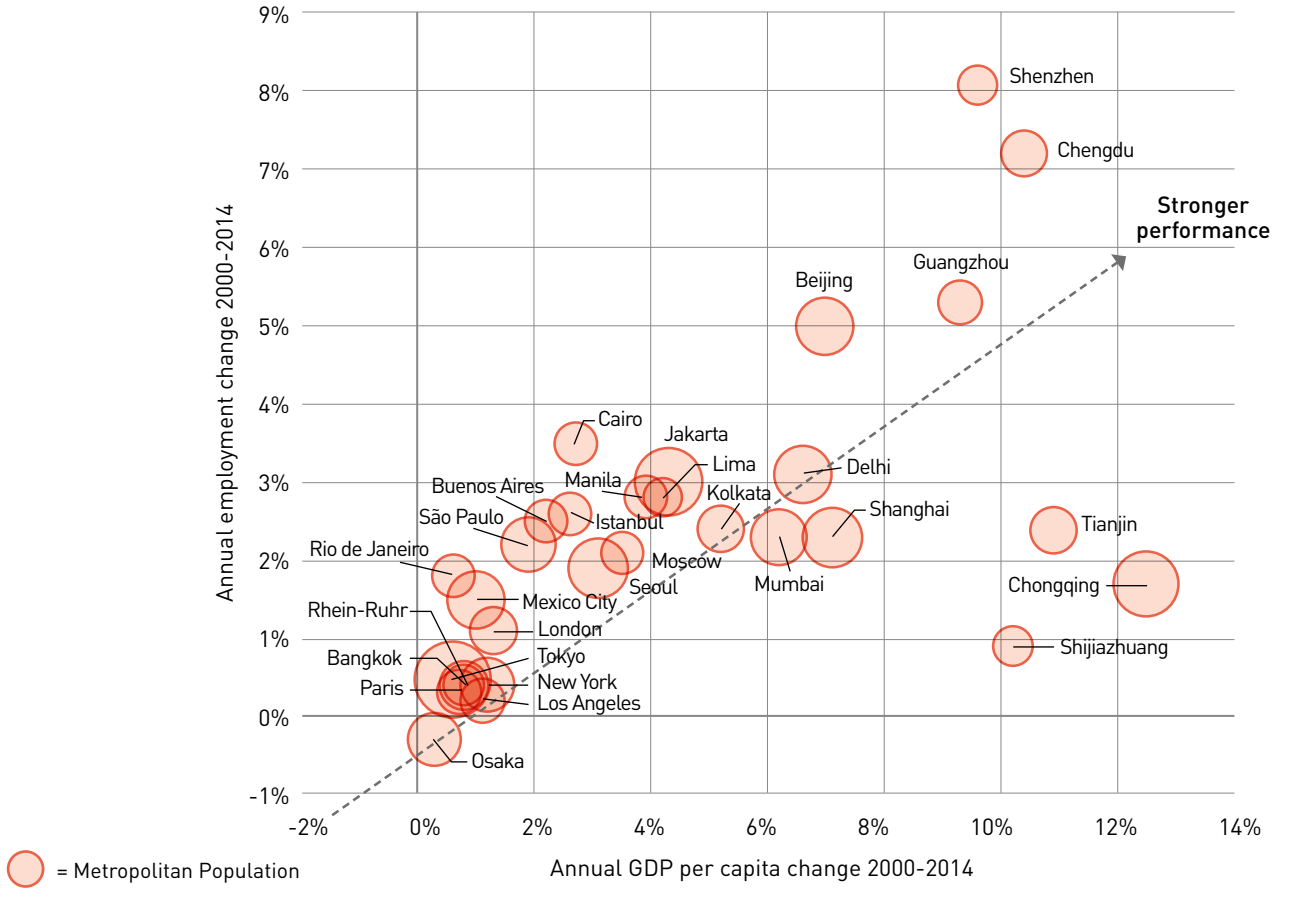
However, metropolitan areas are also acknowledged as 'engines of growth', as they provide critical advantages and externalities to their national economies. Worldwide, approximately 60% of metropolitan areas outperformed their national economies in terms of job creation in 2014, in line with previous figures.[147] Metropolitan areas are especially important drivers of national growth in the Asia-Pacific region and in Northern and South America, but the trend holds in every region. Global evidence indicates that where urbanization has been welcomed and planned for, rather than resisted and unplanned, it has been central to the economic transformation of many countries in recent decades. The BRICS nations are an example of where the concentration of population in large cities has tended to improve prosperity and living standards, notwithstanding ongoing imbalances and inequalities.

Graph 3.1 highlights the varied pace of economic and employment growth in metropolitan areas since 2000. It emphasizes the exceptionally fast growth of many Chinese metropolitan areas, including secondary cities such as Shenzhen, Chengdu and Chongqing, as well as several in India and South-eastern Asia. By contrast, many high-income metropolitan areas have been stuck in a low-growth phase, including Osaka, Paris and Los Angeles. Yet the variations in performance and outcomes both within and between nations and regions highlight the important role that local economic assets and approaches play in the global economy.

Metropolitan areas appear to offer many *prima facie* advantages to national development. The greater tax yields they obtain from higher value-added industries

Graph 3.1 **Average annual GDP per capita and employment growth of the 30 most populous metropolitan areas, 2000-2014**

Source: Brookings Institution and Oxford Economics



(e.g. finance, trade, ICT, etc.) can help the whole country regulate potential imbalances in other regions that are lagging. Their activities often stimulate the expansion of supply chains throughout the region and national territory. The international firms they host engage in direct and indirect knowledge exchange with local firms, and often increase access to new investment opportunities. Metropolitan areas also function as transport and infrastructure hubs, and therefore as gateways for tourism, communication, and commerce. Moreover, as part of what is known as the 'escalator effect', the services and industries in which they specialize provide diverse work and training opportunities that foster the upskilling of a workforce that may, eventually, transfer their acquired expertise to intermediary cities and/or rural areas. Finally, especially in the case of 'global' cities, that often grow into world-renowned financial and cultural centres, their social and cultural assets can improve a whole nation's 'brand' by association with the reputation of their largest and most dynamic metropolitan areas (e.g. New York, London, Paris, Tokyo, Shanghai, Sydney and Toronto).[148]

The spatial patterns of economic activity within metropolitan areas tend to change during successive economic cycles. There is often concern that economic demand is focused exclusively in the central core. But in other cycles, many metropolitan areas experience demand around airports, station terminals, hospitals, university campuses, science parks, conference centres, and many other lower-cost and higher-yield sites further out from the centre.[153] The result of these different processes is that metropolitan areas have become more economically interdependent, and collective policy solutions more important.

Because metropolitan areas tend to concentrate higher-level economic and productive functions, however, **a pattern of winners and losers tends to emerge within them**. Core areas of central cities, for instance, usually remain attractive for certain activities, but many other parts of the wider metropolitan area are unable to attract public or private investment and lack connectivity with the main job locations. Income inequality is higher within big urban areas than elsewhere.[154] Preferences among younger adults for urban living, and the decline of manufacturing and distribution, particularly in developed countries, mean that the industrial make-up of new jobs is shifting in favour of economic activities that are already disproportionately located in central cities.[155] The resulting polarization is one of the principal negative externalities that arise from increasingly international demand for metropolitan areas.

BOX 3.1 THE EFFECTS OF AGGLOMERATION[149]

The ability of firms and households in metropolitan areas to draw on a common pool of resources, to match up with jobs, and to learn from regular face-to-face contact, is a well-established feature of 'agglomeration economies'.[150] Although existing models to explain agglomeration remain far from complete, it is widely accepted that agglomeration enables efficient logistics, advanced clustering, access to diversity, and entrepreneurial creativity. Agglomeration effects have been widely measured in high-income metropolitan areas, but are now also being observed in the BRICS and other emerging countries. They are seen as being especially significant in metropolitan areas with a high share of knowledge-intensive jobs.[151] There is also increasing evidence that metropolitan areas located near to each other generate significant benefits from this proximity. Cities that belong to a network or 'system' of nearby cities are able to 'borrow size' and acquire higher-level metropolitan functions such as firms, international institutions and science. Yet there is no simple law of agglomeration or critical mass which guarantees that metropolitan areas become economically successful. 'Diseconomies' of agglomeration can and do occur when urbanization is poorly managed, when there is a lack of continuity and coherence in the way metropolitan institutions implement policies, and in particular when infrastructure is not financed or delivered to match growth demand.[152]

3.2 NEGATIVE EXTERNALITIES AND THE CONSEQUENCES OF 'COMPETITIVENESS'

Over time, the imperative to compete in nationally and globally traded sectors has clear (and often unintended) consequences for labour markets, spatial development

and social bonds in metropolitan areas. The financialization of urban economies has intensified the competitiveness agenda, increasing inequalities between and within metropolitan areas.[156] The deregulation of financial markets, institutional investment (by insurance firms, pension funds, private equity, etc.) into fixed assets; the privatization of public spaces and services; and the securitization of mortgages and municipal bonds, have substantially reshaped metropolitan economies, creating new entrenched challenges.[157] Foreign investments in urban properties are expanding exponentially (from USD 600 billion in 2013 and 2014, to USD 1 trillion in 2014 and 2015) in metropolitan areas in all regions (London, New York, Shanghai, Shenzhen, Tokyo, Sydney, etc.).[158] Since the financial crisis of 2008 and its aftermath, the financing of cities has evolved in many Western metropolises, moving away from traditional forms of investment towards investments in highly profitable areas using financially leveraged strategies. This has increased overall levels of debt, and led to financial instability and economic asymmetries in urban economies.[159]

The financialization of urban economies has intensified the competitiveness agenda, increasing inequalities between and within metropolitan areas

Thus, despite the importance of economic development and competitiveness in metropolitan areas today, these imperatives can – and often do – generate significant negative externalities with adverse effects on sustainable urban development.

Challenges exist even for highly globalized metropolitan areas – such as London, New York and Paris - which have been very successful at increasing their productivity, attracting international firms and appealing to highly educated workers, although with important social and spatial consequences. One common symptom of these areas is monocentric economic development that struggles to diffuse investments across the whole metropolitan area and integrate all sectors of the population in the labour market. Thus, jobs based in the periphery are often dominated by low-paid industries or local services for residential commuter populations, and spatial fragmentation leads to a failure to connect people to jobs.[160] As a result, in many developed metropolitan areas, there is increased social segmentation, with different forms of gentrification and 'ghettoization'.

For metropolitan economies in emerging or developing countries, the externalities are different in type and scale. GDP per capita growth has averaged 6% per annum since 2000, compared to 1% in developed economies.[161] But this strong performance often belies profound unemployment and under-employment, poorly integrated migrants, and increased residential and labour market segregation, resulting in extensive expansion of informal economy and settlements.

Globally, income inequalities tend to be higher within large urban areas than elsewhere (including in developed countries), aggravated by a slowdown in job creation.[162] Employment in developed metropolitan economies has grown at well below 1% a year since 2000[163] and, in 2012, 45% of OECD metropolitan areas had an unemployment rate above the national average.[164] In developing metropolitan areas, the average job creation rate has fallen to below 3% per year.[165] Loss of jobs in key traditional industries, and widening income disparities are all driving a paradigm shift towards shared and coordinated approaches to metropolitan economic development.

3.2.1 Polarizing effects within metropolitan areas[166]

A primary objection to the competitiveness agenda within metropolitan economic development policies is its link with increased socio-spatial inequalities. Financial reasoning and objectives may differ from purely urbanistic ones, such as social diversity, the fight against urban sprawl, or the quest for a consistent blend of accommodation development, economic activities and infrastructure.[167] Territorial policies to attract investment in metropolitan areas are often accompanied by planning and 'flagship' regeneration projects that directly and indirectly accelerate gentrification and marginalization of socially fragile communities. This can be compounded by weak planning and a lack of financial resources and public policy tools to manage the process of redevelopment in an inclusive way. An imbalance in capacity and resources between public and private sectors can result in projects being selected for short-term profitability rather than long-term value creation.[168]

The rise of privately financed 'mega-projects' – office buildings, shopping malls, stadia, casinos – has also precipitated a fragmentation of technical and infrastructural systems and large gaps in network quality and coverage. **This phenomenon – sometimes called 'splintering urbanism'[169] – makes it very difficult to organize metropolitan**

areas around the provision of coherent, equitable and standardized services, such as water, energy, transport and communication infrastructures. One acute manifestation of splintering urbanism is the rise of gated communities and private enclaves, which has spread within different metropolises in both developed and developing countries. Linked to economic globalization's polarizing effect, these privatized spaces threaten aspirations for collective transit, health and education systems, and universal access to cultural resources.

The different phenomena of 'urban polarization' result in more inequality between economically prosperous areas. This is characterized by a demand for a highly qualified workforce in certain usually centric zones whilst populations who are also highly qualified, in other zones, are disadvantaged by the progressive removal of available jobs from their areas of residence – leading to growing unemployment and poverty. These evolutions are exacerbating 'spatial mismatches' between jobs and houses.[170] Inflation in land and property markets adjacent to these areas of intense economic activity causes workers to relocate further away from workplaces, creating dislocation for established industries that are less productive or which have high space demands – particularly SMEs. This can also have negative effects on the fragile sectors of the informal economy, for example through the expulsion of street vendors from redeveloped areas. This logic, for instance, has led to the dismantling of the textile sector in the centric zones of Mumbai that had become unaffordably expensive. **Such imbalances can foment a number of social risks: alienation, social violence, deteriorating living conditions, sprawl, insecurity and environmental vulnerability**.

There are also many examples in developing economies where competitiveness policies have not increased economic attractiveness. In Cairo the multiplier effect expected after the transformation of the urban stock to promote the local productive fabric has not paid off, and policy instruments designed to monitor progress are still lacking. Land-use and property deregulation to attract local and foreign investors since the mid-2000s has failed to create a more competitive productive economy.[171] Elsewhere, competitiveness initiatives in cities such as Lagos, Nairobi and Mumbai have been beset by leadership, coordination and infrastructure delivery failures. For these and other reasons, some observers argue that competitiveness objectives are incompatible with metropolitan development goals such as social diversity, compact development, housing affordability and mixed-use living environments.[172]

3.2.2 Externalities in the wider nation

In many countries where metropolitan areas have expanded, analysts also observe a number of costs to the nation as a whole that may detract from the positive externalities. Successful and attractive metropolitan areas, for example, can drain other regions of their talent, intensifying disparities in skills within a nation. Enhanced transport links to metropolitan areas appear to funnel demand towards them, damaging the growth potential of other areas. This can be compounded by the fact that metropolitan authorities have larger balance sheets and so are able to attract a disproportionate share of bankable investment projects, including with national governments.

There are also risks that monetary and regulatory policies can (sometimes inadvertently) lean towards the needs of metropolitan areas at the expense of the rest of the country.[173] In some cases, government policies and laws are weighted towards addressing rapid urbanization in metropolitan areas, leaving limited public resources for regional and rural areas. Finally, although metropolitan areas usually generate a higher proportion of national tax revenue and are net donors to national government treasuries, fiscal redistribution may not be viewed as enough to tackle the ever-growing welfare needs in other regions. This debate is prominent in cities such as London, Moscow, São Paulo, Tokyo and Warsaw.[174]

The extent to which all these negative externalities are real or perceived, however, is widely debated. What is clear is that metropolitan areas often need to take account of some of the perceived biases, and collaborate in order to redress them through integrated metropolitan governance, with policies and interventions that strengthen collaboration with their hinterlands and support a more balanced urban development throughout the country.

Metropolitan areas often need to take account of some of the perceived biases, and collaborate in order to redress them through integrated metropolitan governance

3.3 IMPLEMENTING URBAN STRATEGIES FOR METROPOLITAN ECONOMIC DEVELOPMENT

Given the externalities that arise both within and beyond metropolitan areas, local and metropolitan governments are having to take a comprehensive and cross-cutting approach to their economic strategies to create jobs and support private sector investment while ensuring sustainability and quality of life for local residents.

When designing their economic development strategies, most metropolitan areas face similar challenges: a need for more coherent systems, rules and practices; capacity to attract employers and investors; citywide mechanisms for inclusive spatial planning; transport regulation and the promotion of quality of life; additional capital spending to sustain and improve key infrastructures; reduced competition and duplication among neighbouring municipalities and districts; the development of a skilled workforce that allows businesses to expand; and additional support from higher tiers of government. These tasks are **not conventional service delivery activities**. They involve strategic intervention to support governmental and non-governmental institutions and the wider labour market, and **often require new arrangements and organizational innovation across a metropolitan area.**

Metropolitan approaches to economic development not only aim to improve productivity, deliver hard infrastructure projects, and attract and retain a highly educated workforce.[175] They also adopt tactics to facilitate corporate investment, correct market inefficiencies (e.g. skills, finance deficits), become efficient and differentiated in their dealings with firms, and build capacity to foster entrepreneurship.[176] These local climate factors can yield widely divergent outcomes for metropolitan areas. For example, San Francisco and Los Angeles metropolitan areas had approximately equal economic performance in 1970, but today San Francisco has a 30% more income per capita advantage.[177]

Leaders in metropolitan areas observe the limitations of previous approaches, including in Canada, South Africa and the United Kingdom, among many others.[179] Despite financial and institutional constraints, there is increasing recognition that economic development is **a partnership rather than a top-down activity** and that the outcomes become apparent over business cycles (12 to 15 years) rather than electoral cycles of government (three to six years).[180] Economic development is more effectively orchestrated through the **combined efforts of local governments, chambers of commerce, development agencies, infrastructure and utilities providers, financial institutions, and other tiers of government, all in tandem with citizens**. Without this partnership, there are clear risks that growth-oriented projects will not deliver inclusion (e.g. through increased social housing or decent job creation) and, conversely, that initiatives to

BOX 3.2 THE VISION OF THE WORLD ECONOMIC FORUM: LESSONS ON CITY COMPETITIVENESS[178]

Based on case studies of 33 cities from all regions and levels of development, a 2014 report by the World Economic Forum elicited four general lessons on city competitiveness which cities themselves should grasp, and then experiment with using new rules and reforms:

- **Institutions**: The governance of cities requires leadership, long-term vision and empowered, well-coordinated municipalities.
- **National and local policies**: Cities rely on robust and fair macroeconomic policies, national openness to trade and foreign direct investment (FDI), flexible labour markets, efficient taxation, transparent domestic business regulation and tools to protect the most vulnerable, but cities should also develop their own policies on for example, FDI, trade, tourism and attractiveness.
- **Hard connectivity**: Cities must find a good balance between 'under-planning' and 'over-planning', plugging hard infrastructure gaps and making intelligent infrastructure choices that favour urban density and efficiency.
- **Soft connectivity**: Cities must promote social capital through investment in education, digital infrastructure, cultural and recreational facilities, and quality of life.

Table 3.1 **Metropolitan economic development versus local economic development**

	Local economic development	Metropolitan economic development
Skills	Single sector approach.	Integrated approach to education, housing, public health, business framework.
Assets	Local stand-alone companies and institutions.	Recognition and promotion of all assets in all municipalities; internal and external mobility.
Complementarities	Weak internal collaboration within metropolitan area. Risk of zero-sum substitution or displacement.	Strengthened cooperation within metropolitan areas and complementarities within national economies and with international actors.
Target sectors	Local sector approach. Potential for unintended spill-overs.	Diversified set of sectors that span the metropolitan area.

foster social development may not address barriers to economic growth. Table 3.1 provides a simplified schema of a joined-up perspective for economic development.

Not all metropolitan areas have the same economic development priorities. For established and high-performing metropolitan areas, the focus is often on retaining competitiveness and supporting new innovations and technologies. For those that are de-industrializing or modernizing their economy, attention is paid to participating in new niche markets and investing in not only physical but also human capital development (see Box 3.3 on the Global Cities Initiative). For a majority of metropolitan areas, there is a priority to develop networks between stakeholders and improve relationships and opportunities for SMEs.

Metropolitan economic development initiatives are more difficult to execute in many developing countries because of weak framework conditions, uncompetitive local industries, and other demands on limited resources. Where they have been attempted (for example in Curitiba, Durban and Shanghai), there are signs that they can build capacity and support smaller domestically focused enterprises in emerging industries with better outcomes than top-down national approaches. Technology transfer, firm performance, local networks, training organizations, and interactive learning between institutions and industries are often the most urgent foci in these contexts.[181]

Metropolitan strategies tend to go through different phases. The first phase of a long-term economic strategy tends to be delivering fast visible results that create further momentum for change. 'Quick wins' in the first five years in terms of investment, infrastructure and institution-building are often seen as a necessary catalyst for a second and third phase of broader partnership and development. Pilot projects are an important mechanism for testing the opportunities of clusters and technology over a 12 to 24-month period, as cities such as Hyderabad and Chennai have shown in the field of electronic manufacturing, and Brisbane with professional services.[182]

Not all economic strategies have proven either actionable or effective, but many metropolitan areas have had success. This section reviews evidence of metropolitan attempts to internationalize their economies, develop new spatial strategies, create knowledge-sharing and networking platforms, and provide support to SMEs. It also reviews alternative approaches that focus on the social and collaborative economy, and the fundamental role of the informal sector in the metropolitan areas of developing countries.

Supporting internationalization

Achieving better reach into global markets is a strong component of metropolitan strategies. The broadening and scaling of innovation is a key tactic to boost metropolitan productivity and grow the jobs base. Evidence from places such as San Diego and Copenhagen suggests that firms operating in international markets and in receipt of foreign investment are significantly more likely to

innovate than firms that are domestically oriented.[183]

In the United States, 'metropolitan export plans' have been proposed as a way to boost the impact of exports on the national economy (see Box 3.3). The idea is that local companies in large cities enjoy a specific advantage when it comes to seizing opportunities for exports. Backing such metropolitan-led exports is seen as a bottom-up policy to counter-balance macro policies designed specifically to improve export performance – via trade agreements, export credit and exchange-rate management.[184] A coordinated framework to expose SMEs to international practice and innovation is part of the internationalization process.

Such an international strategy for trade and investment therefore offers some metropolitan areas a route to longer-term attractiveness, rather than simply being a short-term boost to employment. Research from United States cities such as Portland and San Antonio suggests that outcomes are more evident when intentional and committed efforts to enter global markets last more than one political cycle and become a priority for all governments and authorities in the metropolitan area.[187]

BOX 3.3 THE GLOBAL CITIES INITIATIVE

In Northern America, the impact of the financial crisis has triggered a new set of approaches to address urban problems that did not just rely on the action of the federal government. This 'metropolitan revolution' has seen local governments, civil society, business leaders and urban planners start to work together to find new paths to job creation and long-term economic growth.[185] The results of this in some cities include expansion of public transport systems, improvements to the supply chain in advanced manufacturing, and metropolitan initiatives to integrate immigrants more effectively. More than 25 United States metropolitan areas have also begun to create trade and investment plans as part of the public-private sector Global Cities Initiative[186] whose goal has been to change metropolitan economic development practice to be more focused on international competition and higher-quality jobs. Reviews of this ongoing scheme highlight the fact that metropolitan export strategies need a long-term vision, and that basic inputs – namely skilled labour force and transport infrastructure – are critically important, though effective actions in this direction have been few and far between.

Spatial strategy for a changing metropolitan economy

Cluster specializations are essential in providing metropolitan areas with the ability to drive exports and attract investment. Many identify an urgent need to rationalize locations of different actors and clusters and, if need be, shift the centre of gravity of economic growth away from traditional and established centres to new business districts, or new gateway cities, close to airports and ports, for example. Several patterns, on the other hand, seem to guide the location and shaping of clusters: the Randstad region in the Netherlands, which includes Amsterdam, Rotterdam, The Hague and Utrecht, is a classic example of a polycentric cluster structurally different from those of Paris or London, whose activities and functions have historically been far more concentrated.[188] This debate is prominent in metropolitan areas such as Sydney, Seoul, other Asian cities, and Birmingham (United Kingdom).[189]

For fast-growing metropolitan areas, especially in developing countries, this process often involves large-scale expansion of subway systems, higher-capacity transport corridors, and the creation of alternative city centres or second Central Business Districts (CBDs) as part of a polycentric approach. In smaller and more developed metropolitan areas, more targeted approaches to cluster scientific and technology SMEs around leading universities have become visible in the past decade, for example in Boston (United States), Hamburg (Germany) and Manchester (United Kingdom).

A key challenge to incentivize people and firms to relocate to new metropolitan centres is the sequencing of a critical mass of infrastructure and amenities. Integrated planning that provides education, infrastructure, quality of life and culture in new districts is usually needed to make this rebalancing work.[190]

Regeneration is sometimes an opportunity to experiment with more collaborative planning. Seoul's Cheonggyecheon district, which has been redeveloped to support the city's transition towards creative and services industries, is one well-known example. A citizens' committee composed of the general public and experts helped achieve a greater degree of participation. Furthermore, a joined-up approach across sectors – economic development, road management, civil engineering, urban planning and welfare – was coordinated by a dedicated vice-mayor of the Seoul Metropolitan Government. When collaboration is not sought,

however, regeneration programmes can cause inflation and exclusion and reduce access to public space.[191]

Knowledge-sharing and networking platforms

Many metropolitan areas look to improve cooperation between companies by providing forums for dialogue and cross-fertilization between previously siloed sectors. Some choose to set up a 'growth forum' platform that includes municipalities, companies and research institutions in order to improve the framework conditions for innovation and business development. When organized collaboratively, these can incubate long-term plans for sector growth and agree on targets for projects that need investment from national or supranational institutions.[192] An example of this collaboration is metropolitan planning organizations (MPOs) in the United States. Seattle is one example where civic, business and community members lead collectively on the regional economic vision, creating alignment between the players that influence economic and labour force development, and public investment in education and infrastructure.[193]

Collaboration in school education and training is also important in improving the metropolitan skills system. School education performance and employability in some metropolitan areas have improved more quickly than in the rest of the country as a result of active collaboration and sharing of best practice among teachers. **International evidence increasingly highlights the value of school autonomy, data-driven leadership and well-motivated teachers.**

Evidence from the United States shows that higher skills attainment does not only benefit individual workers, but also leads to greater prosperity at the metropolitan level, given the large number of alumni from colleges and universities who remain in the local area.[194] Meanwhile in China, Suzhou is an example of a city whose strategy to become a knowledge-intensive economy has relied on higher education to diversify sources of entrepreneurship, beyond reliance on overseas expatriates. Universities' role in creating a new generation of entrepreneurs has enabled Suzhou to become a highly specialized nano-technology and bio-medicine cluster.[195]

Catalysts: 'branding' and international events

Some metropolitan areas have sought to use international events to raise their profile for international attractiveness and bring forward infrastructure development. From high-profile global events such as the Olympic Games and World Cups, to political assemblies, sporting championships and cultural exhibitions,

Regeneration is sometimes an opportunity to experiment with more collaborative planning

Photo: xiquinhosilva - Kathmandu (Nepal).

well-managed events can in certain cases accelerate public and private investment, creating new capacity in a metropolitan area, and increasing the visibility of its economy internationally. Successful and sustainable event hosting may leave a substantial physical, social and institutional legacy that can improve the future ability and appetite to deliver major projects collaboratively and coherently.

International events, however, also fuel global competition between metropolitan cities, and need to be considered carefully.[196] Host cities may witness some benefits in terms of infrastructure and tourism (e.g. Cape Town after the 2010 World Cup), though generally fewer than expected.[197] Many events may also involve considerable community displacement and securitization of low-income districts (e.g. Rio de Janeiro for the 2014 World Cup and 2016 Olympics).[198] Not all events are successful and so require close cooperation between governments to ensure that major projects are completed on time, technical standards are met, benefits are evenly distributed and visitor experiences are positive.

Cycles of growth within a metropolitan area, if well-managed, give rise to new or enhanced opportunities in subsequent cycles

For metropolitan areas in developing countries, there are also important opportunity costs when choosing to host an event, which should be factored in to future decision-making.

Financial and capacity support for small and medium-sized enterprises

Small and medium-sized companies that are already located in the region are sensible targets for metropolitan areas' policy focus. A higher rate of business creation and successful scaling of these businesses is key to metropolitan economic development, but there are common challenges for smaller firms such as high costs, a lack of suitable real-estate, and a shallow financing pool.

Integrated policies can help incentivize smaller firms to upgrade their business processes, whether through equipment, training or new forums for exchange – cities such as Hamburg, Lyon, Oslo and Shenzhen have made steps in this respect.[199] A single metropolitan body centralizing all SME assistance functions is one option favoured by well-organized metropolitan areas. Research foundations, infrastructure authorities and development agencies are all key partners for capacity-building with SMEs and entrepreneurs, and to ensure the region has the right kind and amounts of business space. As the local agency of Barcelona's City Council for 30 years, *Barcelona Activa* is an example of a successful business incubator whose infrastructure and advisory support has meant a low mortality rate for new firms. The agency works as a mediator between the public and private sector, and has created large investment forums to encourage the participation of investment funds to support early-stage growth SMEs. Several Portuguese municipalities have also successfully supported the internationalization of their local firms and, in particular, SMEs.[200] Other tools include equity co-investment funds to leverage private sector equity investments into early-stage growth SMEs as they emerge from private accelerators and support programmes, an approach tried and tested in London.[201]

Metropolitan areas' multi-cycle approach

Sustainable economic development takes place over not just one cycle, but several. Singapore is one of the clearest example of a deliberate cyclical approach developed over the last 30 years, while Barcelona, Munich and Seoul have also seen their economies develop in 10 to 15-year cycles. Cycles of growth within a metropolitan area, if well-managed, give rise to new or enhanced opportunities in subsequent cycles. Successful economic development usually involves adjusting between one cycle and the next to 'move up' the value chain of the industries a metropolitan area hosts, for example.

For metropolitan areas to adjust in this way they need to be able to modify their economic development arrangements so that they can deal with the opportunities and changes presented by the new cycle, and not be distracted by the preoccupations of the previous cycle. Low-value industry and advanced science and manufacturing need different framework conditions, tools and strategies. Others that initially promote tourism as a growth industry may need to move on to boosting creativity and other type of enterprises, as Barcelona is doing. **Each adjustment requires sustained collaboration between actors in the public, private and civic sectors**.

The reasons why some metropolitan areas experience prolonged economic decline are complex in nature. Agglomeration economies alone will not solve all growth challenges, not least because some metropolitan areas inherit unfavourable industrial structures from previous economic cycles.[202] In general, however, top-down imposition of pre-packaged sectors and models tends not to be effective.[203]

3.4 THE PROMISE OF ALTERNATIVE APPROACHES TO ECONOMIC DEVELOPMENT

Social and collaborative economies

The **sharing or collaborative economy** is already having a disruptive impact on metropolitan areas, which function as laboratories for the experimentation of new technologies and business models. Although most synonymous with large multinational firms such as Airbnb, Lyft and Uber (which many do not consider collaborative initiatives), the sharing economy also encompasses smaller-scale, low-profit or non-profit social entrepreneurship.[204] The impact of recent recessions and growing income inequality has accelerated the spread of sharing innovations across many cities and sectors – such as mobility (e.g. bike and car-sharing), accommodation (e.g. couch-surfing), skills (e.g. TaskRabbit), agriculture, collaborative financing (e.g. crowdfunding), collaborative production (e.g. DIY, Fablabs, maker spaces), free-access cultural products, and many more.[205] Sharing activities and initiatives have been particularly embraced in the United States, South Korea, and Europe (see Box 3.4). Collaborative consumption is nurturing the demand for more efficient services and on-demand information, resulting in higher levels of entrepreneurship in this domain in many metropolitan areas.

Many metropolitan areas, however, have so far adopted a rather piecemeal and reactive approach to the sharing economy that risks absorbing scarce resources rather than strategically advancing urban sustainability. In spite of its association with innovation and efficiency, **local governments should maintain a certain regulatory caution to ensure new disruptors do not turn previously stable, skilled long-term employment into precarious activities**. Addressing the regulatory challenges that stem from this friction is one of the key responsibilities of local and regional governments.[208]

The informal economy

Informal employment in metropolitan areas continues to grow and emerge in new forms and places. According to Women in Informal Employment: Globalizing and Organizing (WIEGO),[214] the 'informal economy' – which is not exclusive to developing countries – concentrates more than half of non-agricultural employment across most of the developing world. At the city scale, it constitutes, for example, around 80% in Abidjan, Dakar, Niamey and Bamako, 59% in Lima, 54% in Ho Chi Minh City and 45% in Buenos Aires.[215] Informal activities cover a broad range of economic sectors. Women are disproportionately represented in the

BOX 3.4 SHARING: A NEW TYPE OF ECONOMY?

The sharing economy is a disruptor to nearly every sector of the economy and is challenging many established business and organizational models. One city that has embraced its promise is the Seoul metropolitan government (SMG) through its Seoul Sharing City initiative.[206] The SMG is working in partnership with NGOs and private companies to connect people to sharing services, and together recover a sense of trust and community, reduce waste and over-consumption, and activate the local economy. It combines grassroots citizen-driven sharing (e.g. lending libraries), with official support for tech start-ups. To reform the outdated regulation that used to hamper sharing initiatives (e.g. car insurance and home-sharing policies), the Seoul Sharing City initiative is working with insurance providers and regulators to develop alternative solutions. Other cities in Korea, like Busan and Gwangju, are following this example.

In Northern America, Vancouver is an early adopter of a strategic approach to the sharing economy in many sectors (car-sharing, tool-sharing, space for community-sharing, leveraging under-used assets, creating social connections, and reducing waste and consumption). Other cities such as Toronto, Montréal, Houston and Philadelphia, have long supported co-working initiatives, car-sharing companies, Fix-it Clinics to repair goods, bike-sharing systems, shared spaces for start-ups, businesses, charities and social enterprises, and data-sharing. A few municipalities are leading the way through legislation, policy and programmes that facilitate sharing of municipal equipment and services for public safety, transportation, recreational and social services among different local institutions (between New York City and the state of New York, for instance) and with citizenship (parks, transit stations, schools, community centres, hospitals, libraries and post offices). Finally, some community-shared energy projects are being launched by municipally-owned utilities, or with government-operated utilities as key partners.[207]

informal economy, and in its lowest paying and most precarious jobs, especially in Sub-Saharan Africa and Latin America.[216] In Liberia, for example, 72% of women are informally employed, compared to 47.4% of men.[217]

The vulnerability of informal workers lies, above all, in their lack of legal rights and social protection. Metropolitan areas have not always adopted a positive stance towards the informal economy, although many recognize that it is linked and contributes to the overall economy, Moreover, supporting and ultimately formalizing informal workers and activities is key to inclusive growth and a crucial step towards the reduction of poverty and inequality (see Box 3.6). The challenges impeding informal workers' ability to generate decent revenues are many and varied. Examples include – but are not limited to – home-based workers (e.g. shoemakers, craft producers, etc.) who often lack access to expensive basic services and infrastructures (this subject is developed in the next section). Others include high transport costs; street vendors who are evicted, fined and whose stocks are confiscated; and waste pickers who lack permission to access waste or space for sorting and storage.

Some cities, however, have made important progress in the recognition of informal workers. In Belo Horizonte (Brazil), the municipality has long had a formal partnership with waste pickers' organizations, 63% of whom said they have experienced support from the city.[218] In eThekwini (Durban) in 2012, informal employment accounted for over 270,000 workers - 24% of all those employed. The municipality has pushed for institutionalizing and formalizing their economic activity, with dedicated urban spaces and training programmes.[219] The social economy (see Box 3.5), especially in metropolitan contexts, has helped the informal sector significantly by offering a more reliable organization of its activities as well as representation through associations and cooperative collaboration.

The imperative to reorganize metropolitan economic development

Metropolitan economic development operates over longer timeframes and broader geographies, and relies on wider institutional collaboration than is usual for local government services or regulatory roles.[221] Uncoordinated strategies waste resources and may fail to achieve desired outcomes.

Many of the economic stakeholders in a metropolitan economy do not exercise a vote in elections. These include businesses, commuters, investors, immigrants, students, infrastructure and logistics providers. Engaging with these stakeholders in economic strategies and reconciling their interests with those of citizens through visioning and agenda-building are some of the key tasks of

BOX 3.5 THE SOCIAL ECONOMY

The last few decades have also witnessed an increase in the activities of the 'social economy' – often defined as the 'third sector'. The social economy encompasses a range of voluntary activities that provide certain sections of the population with services that are often either neglected by public providers or unprofitable for private actors. These initiatives are promoted by a diverse landscape of groups, associations, charity organizations and cooperatives.[209] Their impact is particularly critical in metropolitan areas, characterized by high inequality, unemployment and lack of inclusive service provision.

The social economy has become consolidated and institutionalized within national and supranational frameworks. In Europe, the social economy is officially recognized and defined by the European Commission. In France, for example, in 2011, the *économie sociale et solidaire* (social and solidarity economy) included over 2.3 million jobs and 166,442 enterprises (10.3% of employment).[210] In Spain, the *Confederación Empresarial Española de la Economía Social* (CEPES), the national consortium of third sector enterprises, today encompasses 28 associations and local organizations and accounts for around 10% of national GDP and about 2.2 million jobs.

Latin American, Southern Asian and African cooperatives and associations have played a massive role in the expansion of the social economy, supported by microcredit activities.[211] For example in India, the cooperative movement brings together 600,000 cooperatives and 250 million members in urban and rural areas, making it the largest cooperative movement in the world.

Ongoing financial constraints on the public service performance of local and national governments and greater social polarization mean that the social economy is more relevant than it ever has been (in France, for instance, between 2008 and 2011, employment in the social economy grew by 1% relative to a -0.5% decline in the private sector).[212] In many metropolitan areas around the world, the social economy will be an essential ally in achieving inclusive and sustainable growth, poverty reduction, job creation and the institutionalization of informal activities.[213]

city and metropolitan leaders. This is rarely straightforward, due to perceived and real trade-offs and tensions between economic growth and quality of life in most metropolitan areas.

Local governments, business leadership groups, chambers of commerce, universities, business schools, cooperatives, associations of informal workers, CSOs, informal economy representatives, and even the local media, can all be proactive partners in economic leadership and development. Overcoming competition between different governments, ministries and sectors is essential to making metropolitan areas more productive, attractive, inclusive and flexible to economic and population change.[222] International evidence indicates that fragmented metropolitan areas especially stand to benefit from a partnership approach that limits destructive competition.[223]

Building a more collaborative economic approach within metropolitan areas

Metropolitan areas around the world have been working to make this distributed system of leadership more coherent through common strategies, partnerships and coordination and coalition-building. Sometimes these processes are led by the national or state government but more usually they are driven internally by actors within metropolises. Metropolitan areas can reorganize their economic development functions in several different ways:

- **Integrated economic development functions**. Recent institutional mergers across parts or all of some metropolitan areas can result in a more robust set of agencies for supporting domestic and foreign companies, and for longer-term economic goals. Integration is often a solution when economic development and cluster actions are piecemeal and disconnected, allowing the metropolitan area to pool all its expertise. A strengthened metropolitan agency tends to take more strategic decisions to try and attract firms that fit in with the region's future economic direction. In Paris, the new *Paris Region Entreprises* is one such example.[224] Implementation-oriented agencies often have a lean staffing and financing structure, and may be supported by working groups convened around sectoral or issue-based areas (see also Box 3.7 on Cape Town).

BOX 3.6 SUPPORTING THE INFORMAL ECONOMY

At an annual meeting of the International Labour Organization (104th session) on 12 June 2015, the international community adopted Recommendation 204. This supports the transition, from an informal to a formal economy (while warning against destruction and forced eviction in the formalization process), the creation of decent jobs and enterprises in the formal economy, and emphasizes the need to prevent the informalization of jobs.

According to WIEGO, to address informality and maximize the potential of informal workers, cities should make the most of their available resources and focus on creating jobs through labour-intensive growth, as well as registering and taxing informal enterprises and jobs. The latter requires a simplification of registration procedures; the provision of benefits and incentives in return for taxes paid; and adequate regulations to discourage employers from hiring workers informally, encouraging them instead to give employer contributions for health and pensions, for example.

It is also important to provide low-income housing, promoting mixed residential and business use areas, to recognize the role urban infrastructure plays in supporting livelihoods at the base of the economic pyramid, and to ensure the participation of informal workers in urban planning and policy-making. In addition, it is recommended that social and legal protection is extended to informal workers by, for example, adapting social and private insurance, providing fiscal incentives and adapting existing legal regimes. Cities should also develop supportive measures to increase the productivity of informal enterprises and the income of informal workers, through for example financial and infrastructure services, enterprise support, and technical and business training.[220]

- Many metropolitan economies seek to combine leadership and management functions in a **dedicated development agency**. This is to ensure efficiency and public accountability. Some agencies help oversee major redevelopment when they benefit from political support and access to finance, for example from public land sales. Others have become efficient in helping cities manage multi-party ventures. Bilbao Ría 2000 is one such example where a not-for-profit agency has successfully managed large-scale revitalization and expanded its remit to cover other municipalities in the

BOX 3.7 METROPOLITAN ECONOMIC LEADERSHIP: WESTERN CAPE'S ECONOMIC DEVELOPMENT PARTNERSHIP

Cape Town's system for solving structural development and employment challenges across the whole functional economy has been strengthened since 2012. The Economic Development Partnership (EDP) is a new kind of collaborative, cross-sector and private-oriented organization that acts as intermediary in order to build a unifying narrative around Cape Town's economy.

With a small core staff, and steered by a 14-member board, the EDP uses partnerships with municipalities, companies and non-governmental bodies to distribute knowledge through the metropolitan economic development system and incentivize job creation. Having been endorsed by the provincial government and the city of Cape Town, the EDP has acted on its mandate to develop much stronger market intelligence and pursue the shared vision of OneCape 2040.[225]

metropolitan area, resulting in tangible outputs in the form of new parks, public spaces, roads and cycle paths. Other successful examples, such as HafenCity Hamburg GmbH, illustrate the importance of strong working relationships, a high degree of public control and shared agendas with local governments.[226]

- **Delivery-focused boards.** Some metropolitan areas look to create advisory bodies with a streamlined focus on delivery, rather than pursuing larger institutional change. By specifically focusing on financing the delivery priorities that will maximize job creation, this helps metropolitan areas set clear targets for all public and private stakeholders and is effective in allocating resources to deliver core priorities. Recent examples include the London Enterprise Panel and Hong Kong's Economic Development Commission.
- **Cross-border cooperation** for specific economic development activities among different local authorities has become more common. There are many examples of inter-municipal leadership alliances overcoming siloes. In Denver, a metropolitan Economic Development Corporation has a code of ethics that is binding upon local governments to promote regional rather than self-interested economic development. Transparent information-sharing about site selection has also helped build trust and buy-in among municipalities. In metropolitan areas without established leadership, alliances can become the main driver of municipal cooperation, especially if they have cross-party representation. Other examples involve business agencies from the central city and other local and regional governments working together on international promotion, marketing and real-estate (e.g. Vienna, or Zurich in Box 3.8).

The role of business leadership organizations

Businesses are also important stakeholders in the success of metropolitan development. Mechanisms to ensure their voices are heard and understood are necessary for effective and sustainable metropolitan management. In some cases, a well-regulated private sector can bring an ethos of efficiency and innovation to dialogue between a wider group of stakeholders within the metropolitan development system. This can in turn contribute to stronger corporate social responsibilities, ethical standards, and the respect of both national and international norms, particularly as regards decent work (see, for example, regulation ISO 26000, which provides guidelines on social responsibility, and the UN Global Compact).[228]

Business leaders have a long history of engaging in cities' development. There is new evidence, however, that leadership and membership groups are now contributing to metropolitan development in a more proactive way. Managed accountably and transparently, this can contribute to stronger urban governance.

The membership size and composition of business leadership and membership groups in metropolitan areas varies widely. The newly established ProBogotá Región was set up by 32 members. On the other hand, the Paris-Île de France Chamber of Commerce and Industry represents over 800,000 firms. Some organizations, such as London First, have small concentrated memberships that consist mostly of high status firms. Others, such as Hong Kong's General Chamber of Commerce, draw significant membership from SMEs. It is now common for these organizations to invite civic institutions and NGOs to participate, and nearly all of them now share a metropolitan outlook, even when they were originally established to

support the central city (e.g. the Cape Town Partnership).

Because they are often organizationally lean, business organizations can more easily overcome constraints faced by local and metropolitan governments. They are able to think beyond electoral cycles and look further than political boundaries to the interests of the whole metropolitan area. **Their members' experience in activities such as branding, sales and agenda-setting are important in helping metropolitan areas raise awareness about housing supply, airport capacity or immigration, for example.**

The participation of business networks can, however, have mixed effects on democracy in metropolitan areas. In some cases, they help revitalize local democracy by fostering a more plural and inclusive approach to policy-making. But business networks may also concentrate political power in a narrow business elite at the expense of civil society and local governments.[229] However, the most successful business leadership organizations form horizontal relationships with local governments and work together to build shared approaches to a metropolitan area's most urgent development challenges.

BOX 3.8 THE ZURICH METROPOLITAN REGION

The eight cantons and 120 cities and municipalities of the **Zurich** metropolitan region have been cooperating much more fully on economic development in the last decade. The Zurich Metropolitan Conference is a new strategic body designed to present the region's needs more coherently and to a wider audience. It meets twice a year in an event open to the public and led by the President of Zurich City. The Conference is a platform for networking and information exchange, and promotes a large-scale integrated development perspective. The voting power of individual members reflects their population size, and the Canton Chamber and Municipalities Chamber share an equal number of votes.

Subsequently the Zurich Metropolitan Area Association was founded in 2009, with responsibilities for the economy, traffic and social cohesion. Its main aims are to improve access to know-how and new technologies for high-skilled workers, while ensuring the region is green and sustainable. It has played an active role in bringing forward important rail projects, such as the Brüttenertunnel and the Zimmerberg Base Tunnel II, and exploring new financing mechanisms such as user fees.

Social cohesion and cultural diversity are also part of Zurich's drive to be competitive. In 2015, the Conference initiated a large public relations campaign about the domestic supply of skilled workers to address shortages in technical, healthcare and mathematics skills. Its 'Immigration and Population Growth 2030' project also highlighted a growing recognition of social imbalances and the need for cooperation and preparation in order to address some of the less conspicuous outcomes of growth. This will be developed later on in this section.[227]

3.5 COMBINING ATTRACTIVENESS WITH INCLUSIVENESS: ARE THERE ALTERNATIVES FOR MORE SOLIDARITY WITHIN AND BETWEEN METROPOLITAN AREAS?

The analysis above highlights the positive and negative externalities of globalization for metropolitan areas, and the risks of socio-spatial fragmentation and polarization within and beyond them. Metropolitan leaders need to innovate and explore alternative pathways in order for major cities to take the lead in fostering a new socio-economic logic for more inclusiveness (and sustainability, which is discussed in the next section).

The agenda of inclusion is neither optional nor secondary to the pursuit of economic growth and efficiency. Indeed, there is growing international evidence of a relationship between high levels of metropolitan inequality and lower growth, because of the effects on social cohesion, insecurity and the metropolitan area's ability to absorb investment and withstand shocks. Large disparities between cities and suburbs are also associated with shorter spells of growth during economic booms.[230]

In this context, **growing inequality should not be viewed as an unfortunate and inevitable by-product of a competitive metropolitan economy.**[231] Policy interventions, at national, metropolitan and local levels to reduce inequalities and increase solidarity are possible and desirable. Indeed, they

can harness the dynamism of metropolitan economies much more productively to reshape the territorial relationship within and beyond metropolitan areas.

Local governments need to leverage some of the benefits of on-going disruption to production and consumption models, and their impact on metropolitan job markets and socio-economic dynamics, through an integrated management of metropolitan assets and economic strategies. These include innovation, open technologies and economic models that are more locally based. Increasingly, supply chains are adapted to the demands of consumers and based on innovation and new technologies. The rise of consumer services has also stimulated the integration of various stages of the product cycle (e.g. production, consumption and maintenance) and created new market opportunities for certain functions that were traditionally performed in a household environment (e.g. elderly care).[233]

These transformations have, at the same time, promoted a 'two-speed' labour market in developed economies – between demand for high-skill jobs and the progressive de-qualification of the traditional workforce. There is growing exclusion of younger and older workers from labour markets and increased demand for alternative forms of economic activity (social and collaborative initiatives, but also underground or illegal economies). In developing countries, informality continues to expand as a huge structural (and survival) alternative to the conventional, limited expansion of formal labour markets.

The future of metropolises is not just about performing 'advanced' or 'strategic' functions. To ensure cohesion within society, and counterbalance the threat of fragmentation, metropolitan areas have to anticipate and take part in waves of innovation, and support locally-based alternative economic activities. New urban management skills, in both the public and private sector, are widely needed to both integrate and regulate these different urban economies, capture their added-value for public policies, and manage the spatial repercussions and social tensions that arise from them.[234]

Local and metropolitan governments should also take account of local demands and explore alternatives to the competitiveness imperative that globalization stimulates, in dialogue with business representatives and civil society (see Box 3.10). Citizen pressure can likewise affect political and planning decisions and shape them according to broader societal interests.[235] Today this can be seen in movements such as those that ignited the 'Arab Spring' in Northern African cities; the *indignados* in Spain; massive demonstrations about transport in Brazilian cities or in Istanbul (Turkey) in 2013; recurrent urban disturbances in France; and race riots in American (2015-2016) and in Indian and English cities (2011).[236]

At the same time, these developments necessitate a **rethink of national urban policies (NUPs) and a more comprehensive approach that locates metropolitan dynamics firmly within the whole national urban system**. Metropolitan prosperity generally

BOX 3.9 TOWARDS INCLUSIVE ECONOMIC GROWTH (WORLD ECONOMIC FORUM)[232]

The issue of inclusive growth was addressed by the World Economic Forum in a 2015 report. It argued that while there is no inherent incompatibility between economic growth and social inclusion, the extent to which economic growth leads to greater inclusion and prosperity for all depends upon a number of institutional and structural requirements. These include, but are not limited to:

- an enabling environment that provides quality, accessible and inclusive educational opportunities for all, including the most vulnerable and marginalized;
- strong job creation and a good balance between productivity and the compensation of workers to make sure that the benefits of economic growth are evenly shared;
- accessible and affordable credit for the poor and marginalized, as a key to providing economic opportunities for all;
- strong anti-corruption policies to avoid undue concentration of wealth, promote fair competition and encourage individual initiatives and entrepreneurship;
- wide availability and quality of basic services and infrastructure as a prerequisite for poorer communities to engage in economic activities, enhancing quality of life and living standards;
- well-balanced tax systems that minimize loopholes, prevent market inequalities and make sure the tax burden is fairly spread, levying taxes on those most likely to be able to pay.

has a positive effect on national development and other settlements and territories, but without proper policies its impact can be negative. Through different mechanisms (e.g. public expenditure, collaborative policies), metropolises can weave a stronger fabric of solidarity between territories – and especially between cities – at the national level as well as on a continental and even global scale. **Metropolitan growth is essential to a fundamental reshaping of the relationship between the different components of an urban system, based on criteria that are not exclusively competitive or economic**. Some of these insights are developed further in Chapter 2 on Intermediary Cities and Chapter 3 on Territories.

The interests and power relations at play, however, are extremely diverse. Many metropolitan areas are learning from the experience of a first cycle of projects which failed to achieve social inclusion or sustainability targets. In others, large infrastructure projects have intensified segregation and long-term environmental risks. But there are promising signs that, in the right institutional and political contexts, **policies less conducive to spatial polarization and more consistent with the principles of human rights and the 'Right to the City' are having a positive effect**.[239]

BOX 3.10 POLITICAL REGULATION OF 'COMPETITIVENESS' IN THE CITY OF LYON[237]

The city of Lyon stands out as an example because of the way in which the metropolitan government (*Grand Lyon)* and the business community have shared a narrative about the implementation of competitiveness measures.

However, delegation of responsibility to the private sector has been limited, in spite of the fact that competitiveness was introduced into the public agenda with the active participation of organized economic interests, e.g. the Chamber of Commerce and employers' associations.

At a strategic level, *Grand Lyon* maintains firm control over the political initiatives of its institutional economic partners through strong regulation, as was the case with the city's re-branding project, 'ONLY LYON', for example.

However, this has not mean that larger enterprises, especially those located within the agglomeration, have not been allowed to participate in the development of urban policies. They enjoy much more direct and exclusive relationships with relevant actors and local authorities such as *Grand Lyon* and the region.

This is greatly influenced by the political leadership of these institutions and the direct participation of the Presidents of both the Rhône-Alps Region and Lyon's Metropolitan Authority.[238]

Photo: Frédéric Chateaux - Lyon (France).

3.5.1 Policies and solidarity within metropolitan areas[240]

One of the main questions for local authorities, practitioners and civil society is whether there are alternative ways to create metropolitan areas that enhance attractiveness and inclusiveness, and at the same time respect the 'Right to the City' for all, fostering cooperation and solidarity between territories. The evidence from this chapter suggests that policies intended to combine prosperity with inclusion should take the following into consideration:

Urban policies should be designed to maximize the positive economic effects of critical mass and diverse resources that metropolises are able to mobilize

- characteristics of metropolitan growth that directly or indirectly engage all territories in a dynamic of inter-dependence;
- the ongoing transformation of the global economy into a model of open innovation and, with this, the need to strengthen locally-based economic activities (this in turn demands stronger mobilization of metropolitan resources);
- the enabling role played by higher tiers of government in promoting and integrating such changes.

In line with these criteria, urban policies could be more consistent with the needs of the population and the core principles of spatial equity. When they are not dismissed as being simply 'surrogate' policies, they do actually address issues of social exclusion and growing territorial inequalities. Three levels of public action are relevant in this regard: policies that shape urban systems (be it at the regional, national or continental level); policies that shape systems at the metropolitan level; and urban policies at the project level.

At the level of the urban system

The interconnectedness of urban systems seems to contradict the notion that metropolitan areas are becoming detached from their surrounding territories and settlements. As mentioned above, growing metropolitan areas are able, through diffusion effects, to drive growth in the entire national system. This calls into question the validity of 'anti-metropolitan' or de-concentration policies to reduce the relative socio-economic strength of metropolises in favour of smaller cities and rural areas.

Similarly, given that the competitive advantage of metropolises rests on their economic diversity, it can be counter-productive to obey a strict logic of economic specialization within the urban system, and pursue excessive 'complementarity' among metropolises and other cities.[241]

Instead, urban policies should be designed to maximize the positive economic effects of critical mass and diverse resources that metropolises are able to mobilize. This is only possible through integrated metropolitan policies. This strategy would also be consistent with the New Urban Agenda and SDG 11.a (to 'support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning').

At the metropolitan level

At the metropolitan level the main priority has to be allowing as many citizens as possible to access the economic resources of the urban region, while preserving economic efficiency, social equity and environmental sustainability. Policies towards the realization of this should consider:

- **Facilitating urban mobility**
  This can be achieved by means of infrastructures that ensure metropolitan connectivity at different levels (local, regional and extra-metropolitan). While airports, international railway stations, and high-speed transport networks are clear examples of this, they are by no means enough. Short-range circulation within the metropolitan core should be a priority, not only for reasons of spatial justice (e.g. making the city accessible to the largest number of users possible), but also to ensure economic efficiency. This is critical to the achievement of SDG 11.2 ('By 2030, provide access to safe affordable, accessible and sustainable transport system for all…'). Worldwide connectivity should not be limited exclusively to 'strategic' economic functions, as is the case with global cities. The cross-level connections and movements – of goods, people, ideas, capitals and cultures – triggered and channelled through metropolises demand specific policies to guarantee fluid interconnectedness, maximizing the diverse resources available at the metropolitan scale.

- **Building an 'open' and inclusive urbanism**
  Metropolitan actors in their efforts to mobilize a range of diverse urban economic resources need also to rethink

'open urbanism' and reaffirm the collective nature of the public space (in accordance with SDGs 11.3 and 11.7). This counters urban forms that are based on enclosures (e.g. the disruptive urbanism of gated communities described earlier in this section). It is driven by two complementary goals. On the one hand, there is a need to help sustain economic activities which, in spite of being economically viable, cannot withstand the centrifugal pressures of property and land competition in the metropolitan environment. On the other hand, it is vital to lay the groundwork for a metropolitan economy whose future builds on association, sharing and individual resources (in accordance with SDG 8, to 'promote sustained, inclusive and sustainable economic growth'). Two policy areas are extremely valuable in the pursuit of these goals: those aimed at the reduction of socio-economic negative externalities of planning and, in particular, urban renovation projects; and those that aim to limit the social consequences of land and property competition.

- **Reducing the negative externalities of urban regeneration programmes**

  The reliance on stand-alone catalytic regeneration projects should be reduced. Projects should be integrated in comprehensive metropolitan-level plans and be part of a more sequenced wholly metropolitan approach. Although access to private and institutional capital will remain important given local financing limitations and diminished national transfers, a robust metropolitan approach would prioritize improved safety nets for affected communities, firm regulation of speculative investment capital, and accountable and professionalized urban governments.[242]

- **Reducing competition in the property market**

  Limiting the effects of competition in the property market enhances the mobility of citizens, especially those 'locked' into badly serviced settlements because of spatial mismatches. These measures are also necessary to promote social and functional diversity by preserving the proximity between residence and work places (see Box 3.11).

These goals cannot be attained without the political will to promote land-value capture and reinvestment in social/subsidized housing programmes in accessible and well-connected areas. Several initiatives in this direction have been implemented:

- Following the failure of competitiveness policies to support cities in demographic and economic decay, the city of Cleveland put into practice a strategy of 'planned de-growth'. This included, among other measures, the creation of a **land-tenure bank** to exclude certain properties (especially the lots and buildings that had remained vacant following the sub-prime crisis of 2008) from capital accumulation mechanisms;[244]
- Rosario's (Argentina) **municipal urban regulation** allows the municipality to retain the added-value created by private property investments, especially in coastal areas, and to select areas for social housing;

BOX 3.11 FACTORS THAT HAVE ENHANCED SOCIAL DIVERSITY IN LIMA [243]

The analysis of socio-spatial divisions in Lima (Peru) shows that certain 'buffer zones' - for example planned zoning for middle-income households - are necessary to reduce divisions whilst also promoting the development of shared public spaces. Middle-income zoning, for example, usually features land 'parcels' that are too small to include a private front or back yard, thereby forcing the population to look for available public spaces such as gardens, plazas and playgrounds.

At the same time, while most middle-income households may have a private car or other private transportation, alternative planning strategies could make these unnecessary by providing adequate proximate spaces or connectedness to other areas.

In Molina, a peripheral neighbourhood of Lima, middle-income residential neighbourhoods are very well connected by a number of transit lines, as well as having many small well-maintained green spaces. These benefits have allowed many households of this area, despite their average income, to afford the costs of education in local schools, which are largely private institutions. It is worth noting, however, that in spite of the 'planned' social diversification and the shared public space provided, there has not been a proportionate increase in cross-class relations between middle and low-income residents. Socially diverse planning, therefore, does not automatically imply overcoming social divisions and splits.

- São Paulo (Brazil) has doubled the area dedicated to social interest, especially in the city centre, where 55,000 new houses were built in renovated former industrial areas, following a **revision of the planning master plan**;
- In an unusual intervention, Johannesburg (South Africa) has established a development bank together with a private actor, the Affordable Housing Company (AFHCO), rather than with other public authorities, for **projects of rental housing** – the reconversion of abandoned commercial facilities – aimed at marginalized low-income populations who are not able to access national subsides. Planning these areas closer to existing job pockets should enhance the economic dynamism of the area, raise revenues and improve work accessibility;
- In France the 'solidarity and urban renewal' law (2000) made it obligatory for each municipality of over 3,500 inhabitants to reach a 25% quota of social housing in their building stock. If municipalities fail to comply they must pay a fine.

Questions related to housing policies are critical for the achievement of SDG 11.1 ('access to adequate, safe and affordable housing…'), and will be analyzed in more depth in Section 4.

Photo: McKay Savage - Lima (Peru).

4.

SUSTAINABILITY AND QUALITY OF LIFE IN METROPOLITAN AREAS

It is now universally agreed that current patterns of production and consumption are unsustainable. In a rapidly urbanizing world, cities – and metropolitan agglomerations in particular – have an unprecedented responsibility to adopt more sustainable patterns of development to prevent resource depletion, environmental degradation and uncontrollable disruption to the planet's climate.[245] The measures that are needed include steps the global community has already taken and institutionalized to increase urban resilience to disasters – the 2015 Sendai Framework for Disaster Risk Reduction – and the collective commitments adopted at the 2015 Paris COP 21 meeting, to 'keep the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels'. Given that metropolitan areas are some of the greatest contributors to GHG emissions and, at the same time, extremely vulnerable to the increasing intensity and frequency of natural disasters, they will have a prominent role in meeting the goals of sustainable development, environmental preservation and social inclusion.

Sustainability has thus become a central reference point for urban policies. However, by overlooking the social dimension of sustainability, the original concept, which integrated the three (subsequently four) pillars of sustainable development – social, environmental and economic[246] – to which culture was added by UCLG, has gradually changed. **This is why there is an urgent need to treat sustainable prosperity, social inclusion, environmental protection and cultural dynamism as mutually re-enforcing goals in the development of public policies**. The focus of this section will be on initiatives developed by metropolitan areas for environmental sustainability, linking them to social and environmental justice and to the cultural dimension of sustainability, as well as to the concept of the 'Right to the City'.

4.1 METROPOLITAN AREAS AND ENVIRONMENTAL ACTIONS

Numerous action models have been, and continue to be, developed in metropolises in order to face environmental challenges and encourage sustainable development. For example, C40, a network bringing together metropolitan areas, reports that the number of members developing climate actions has doubled from 36 metropolitan cites in 2011 to 66 in 2015.[247] Metropolis, through its cooperation and knowledge exchange platform, the Climate-Metropole+ project, is promoting an integrated and participatory approach to environmental action in cities,

In a rapidly urbanizing world, cities have an unprecedented responsibility to adopt more sustainable patterns of development

linking Barcelona, Berlin, Liverpool and Lyon, as well as several city networks.[248]

As demonstrated in the COP 21 preparation process, cities and their networks are strongly committed to fighting climate change and reducing GHG emissions, as illustrated by the Global Covenant of Mayors for Climate and Energy, a coalition of city leaders mobilizing hundreds of cities globally (see Box 4.1).

Local governments can earn revenue from the sale of reductions in GHG emissions (so-called 'carbon credits') on the national or international carbon markets.[249] However, despite the use of these mechanisms and the scale of the challenge – according to the Cities Climate Finance Leadership Alliance, 'global demand for low-emission, climate-resilient urban infrastructure will be in the order of USD 4.5 trillion to USD 5.4 trillion annually from 2015 to 2030[250] – cities' climate finances remain insufficient, and how best to maximize them is the subject of open debate. Accordingly, cities around the world have been calling for easier access to global climate funds.

Environmental sustainability requires a radical revision of our production and consumption patterns, one that rethinks the way we manage our housing, energy, transportation and waste policies, amongst others. Because of their impact on the global effort to increase the sustainability of urban life, certain policy areas have tended to elicit positive change and drive innovation in proactive metropolises. The following sections look at some of these policy areas in more detail, focusing in particular on climate plans and urban infrastructure, mobility, energy, public and green spaces, waste management, the circular economy, and urban agriculture.

BOX 4.1 GLOBAL COVENANT OF MAYORS FOR CLIMATE AND ENERGY

With the ambition to establish a common platform to assess the impact of cities' climate actions through standardized measurement of emissions and climate risks, as well as consistent public reporting of the progress made, C40, International Council for Local Environmental Initiatives (ICLEI), and UCLG – with the support of UN-Habitat and UN Special Envoy Mike Bloomberg – launched the **Compact of Mayors** at the 2014 UN Climate Summit. To date, it brings together 447 cities, representing more than 390 million people worldwide. One of its main tools is the 'Global Protocol for Community-Scale Greenhouse Gas Emission Inventories (GPC)' which many cities now use for their strategic planning. Every year it releases a report that allows cities to adapt their strategies using information on different implemented measures and their outcomes. Similarly, the **Covenant of Mayors** for Climate and Energy, supported by the European Commission, is a European coalition of local and regional authorities working together to fight climate change. More than 6,000 signatories have pledged to reduce CO_2 emissions by at least 40% by 2030.

To further raise awareness and gain visibility and access to the agenda-building process (and challenges) in the years to come, both networks decided to join forces in 2016 and merge into the **Global Covenant of Mayors for Climate and Energy**.

This coalition now brings together over 7,000 cities in 119 countries and represents more than 600 million people.

4.1.1 Ongoing initiatives

The integration of the principle of environmental sustainability in metropolitan agendas has given rise to a myriad of initiatives – some of which were presented at the Climate Summit of Local Leaders in Paris, during the proceedings of the COP 21 on 4 December 2015. While these actions have certainly resulted in significant progress in terms of metropolitan sustainability, some effects of their implementation necessitate more in-depth evaluation.[251]

Advocacy for and interest in a 'green economy' have perhaps never been stronger than they are today. The quest for a greener production and consumption system has however tended to emphasize the economic aspects of this 'greening' approach. The de-politicization of the issue – or 'greenwashing'[252] – has focused attention (and resources) on the competitiveness and affordability of the 'green' paradigm, neglecting to highlight the social and spatial issues this may engender at the metropolitan scale.[253]

For a comprehensive global sustainability agenda to be effective, **environmental and 'green' provisions should never be decoupled from social inclusion and equality, territorial cohesion and interconnectedness and thriving diversity, all of which define a resilient and sustainable metropolitan area.**[254] Those that promote an approach where the environmental, economic and social are equally important are valuable examples of the way in which metropolitan areas can achieve several relevant SDGs,

such as Goal 11 on cities, Goal 6 on clean water and sanitation, Goal 7 on affordable and clean energy, Goal 12 on responsible consumption and production, and Goal 13 on climate change.

Climate plans and urban infrastructure

Cities' climate plans can greatly contribute to reducing emissions and building resilience by creating new developments and shaping existing ones in a systematic, coordinated and delivery-focused way. As well as integrated approaches developed by cities such as Paris ('*Plan Climat*') and New York ('A stronger, more resilient New York' or #ONENYC), other examples from the Global North (Tokyo, Copenhagen) are illustrated in Box 4.2. Metropolitan climate plans for sustainability and resilience are not, however, limited to cities in developed countries and cities such as Dakar, Phnom Penh and Quito have also developed similar initiatives.

Dakar's integrated territorial climate plan includes a vulnerability diagnosis from which to develop territorially adapted actions.[255] Quito is experiencing a rise in the frequency of landslides, floods and droughts, and increasing problems with water resources, and so developed a climate strategy that focuses both on adaptation and mitigation, including sustainable infrastructure, power production, drinking water supplies, ecosystems, biodiversity and public health amongst others. As a result, a first Climate Change Strategy was approved in October 2009, after which the city began developing its Climate Action Plan (2012-2016).[256]

At the same time, cities such as Cairo are developing plans for the climate adaptation of informal areas. Plans to control climatic risks such as flooding or storms are many and varied and place a particular emphasis on the most vulnerable populations.[257]

An integrated approach has allowed cities (e.g. Hong Kong, Stockholm and Copenhagen) to combine economic growth with a drastic reduction in their GHG emissions through efficient land use and sustained investment in public transport. For example, Stockholm's economy grew by 41% between 1993 and 2010, while its emissions dropped by 35% in the same time period. Since 1990, Copenhagen has reduced its carbon emissions by more than 40%, while its economy has grown by 50%.[258] Others cities have adopted different sectoral approaches (e.g. eco-mobile cities, low-carbon cities, green cities, energy efficient cities, etc.).[259]

BOX 4.2 CLIMATE PLANS IN TOKYO AND COPENHAGEN[260]

Within the framework of the Tokyo Metropolitan Environmental Masterplan, the city of Tokyo has implemented a specific project (the Tokyo Cap-and-Trade Program) to reduce CO_2 emissions by improving the energy efficiency of its buildings. Owners of the buildings included in the project must measure their annual emissions and commit to lowering them. Since its implementation in 2010, the project has resulted in a 13% reduction in GHG emissions in 2010, and a 22% cumulative reduction in 2011.[261]

The city of Copenhagen is implementing an ambitious policy (including the promotion of renewable energy and cycling as a mode of transportation) to become neutral in terms of CO_2 emissions through a series of innovations and a climate plan.[262] The city had already reduced its emissions by 21% between 2005 and 2011. The first 'bicycle highway', for example, was launched in 2012 and allows commuters to link the central district with the periphery by bike. Three quarters of future reductions in CO_2 emissions must come from the transition to new means of heat and electricity production, notably through the use of biomass, wind (wind power produces 30% of the electricity used in Denmark), geothermal and solar energy.

Photo: Kristoffer Trolle - Copenhagen (Denmark)

Sustainable mobility

Models of sustainable mobility[263] have long promoted 'multi-modality', 'interconnectivity', and 'soft mobility' to improve public transport, reduce congestion and air pollution, and encourage alternative transport by limiting reliance on private vehicles.[264] Access to mobility – and to the beneficial effects on health and quality of life – has long been a litmus test for equity in today's cities and metropolises.

Basic sustainable mobility centres on public transportation systems. The Bus Rapid Transit (BRT) was initially implemented in Curitiba (Brazil) in the 1970s, before the idea was successfully exported to cities such as Bogotá and Johannesburg[265] and more recently to Teheran and Amman,[266] amongst others. Sustainable mobility relies on efficient light rail systems (Addis Ababa is the first of its kind in Sub-Saharan Africa),[267] tramways or similar technologies in cities of the Global North,[268] or cable car lines adapted to specific geographies to foster inclusion and development of neighbourhoods that would otherwise remain isolated and disconnected from the rest of the urban area, as in Medellín. Cities such as Guangzhou (China) have developed BRT, new metro lines and greenways for bicycles (2,000km of cycling lanes) as part of a multi-modal urban transport system. Lima (Peru) is working on the 'NAMA' project to reduce reliance on car transportation through the expansion of the metro, cycling routes and a unified fare system.[269] Electric vehicles play an important part in this transition: today Oslo has three times as many electric private cars as it did in 2005.[270]

Photos: Mariordo59 - BRT Curitiba (Brazil).

At the same time, traffic-free zones,[271] 'car-free days',[272] and shared-mobility platforms are successfully tackling urban pollution concerns whilst raising awareness of sustainable mobility goals. The backdrop to many of these achievements is **an extensive use of technology in the urban fabric**: sensors to measure air quality,[273] traffic, and urban behaviour; GPS and mobile communication; real-time crowd-sourced information; and bike and car-sharing[274] – all of which are increasing the awareness and connectedness of urban citizens both in the Global South and North. **Sustainable mobility policies all over the world rely increasingly on strong citizen engagement and participation**.[275] Sustainable mobility has also been a key lever in the promotion of dense, **multi-polar cities** – where services, amenities, homes and workplaces are located in greater proximity to reduce motorized transport, create a walkable public space and curb the overall environmental footprint of urban life. **Global cooperation frameworks among cities** have also helped, such as ICLEI's Eco-Mobility Alliance and Cities for Mobility. Sustainable mobility has proven to be one of the areas where metropolitan cities are most likely to exchange best practices, knowledge, and expertise. Guangzhou, Shanghai (China), Jakarta (Indonesia), Rio de Janeiro (Brazil), and Shiraz (Iran) took

part in an Urban Transportation Policy training programme, organized in Seoul by Metropolis' International Training Institute (MITI)[276] in March 2016 to share best practices and lessons learned from different urban policies and laboratories around the world.[277]

Efficiency and energy transition

Following the recommendations of the last report of the International Panel on Climate Change (IPCC), and the agreements endorsed at the COP 21, cities are increasingly mobilized to reduce energy consumption and increase the use of renewable energies.[278] Accordingly, many actions undertaken so far have involved reduction of energy consumption in public buildings and the construction of 'low energy' or 'positive energy' buildings. Pune (India) and Shanghai (China), for instance, have already implemented strict limits and criteria for future public buildings. San Francisco (United States) committed to a near-zero carbon electricity supply by 2030. The building sector has a significant impact on energy efficiency: it accounts for an average 20%-30% of global CO_2 emissions[279] and has long been a central part of the European Union's policy regulatory framework in this field.[280] Whilst key to sustainable energy policies, energy-inefficient housing also raises concerns about social equity and energy poverty,[281] a challenge that cities must be ready to face.

In Cape Town, smart electricity meters (Automated Meter Reading or AMRs) have been installed in 26% of the city's large municipal buildings. Real-time data, combined with a behavioural change programme have resulted in significant energy savings.[282] The city of Paris is implementing a thermal renovation plan for schools and social housing (saving 500 gigawatt/hour) and has installed several energy management systems in municipal buildings and facilities as part of its plan (2004-2020) to reduce GHG emissions and energy consumption by 25%.[283] Tshwane (formerly Pretoria, South Africa) launched a 20-year project with a 2 million tCO_2 emission reduction target through the use of renewable energy generators. Changwon (South Korea) was selected to trial a new smart grid project for SMEs, promoting energy efficiency while also integrating renewable energy resources.[284]

Efficient urban refurbishment also includes **street lighting**. Technologies (e.g. LEDs or CFLs) applied on a massive scale in a metropolis can yield significant results. The city of Melbourne (Australia) deployed a citywide lighting renovation scheme, reducing CO_2 emissions by about 8,000 tCO_2 per year.[285] Los Angeles and Paris have adopted similar strategies. Amsterdam's Smart City Programme has put in place a smart switching technology to adapt lighting to weather or even traffic conditions. **Efficient water management** – for example upgraded infrastructure, leakage prevention, etc. – has been another key policy field with a strong environmental impact. The challenges faced by Mexico City are a good example of the importance of this sector in the struggle for a more sustainable city.[286]

Other initiatives, for example eco-cities and eco-neighbourhoods, place a strong emphasis on energy efficiency and the development of renewable energies. However, these schemes are still nascent and somewhat controversial in terms of their impact on social inclusion (see Box 4.3).[287]

BOX 4.3 ECO-NEIGHBOURHOODS: SOCIAL AND ENVIRONMENTAL IMPACT[288]

Eco-neighbourhoods and eco-cities are designed as spaces that allow for the experimentation of diverse solutions in terms of urban density, energy, biodiversity, soft mobility and citizen participation. They are new urban forms that directly respond to the demands of sustainability, promoting a new way of living.[289] However, their development is not free from pitfalls. Designed as technical tools to preserve the environment, eco-neighbourhoods tend however to overlook the need for social sustainability, and are used instead in the quest for competitiveness and 'world-class status'.

For example, in the **Kreuzberg** eco-neighbourhood in Berlin, green roofs tend to suffer subsidence and leaks due to an oversized green layer and the incorrect installation of isolation membranes by construction companies.

In the 'car-free' eco-neighbourhood of **GWL-Terrein** in Amsterdam, parking was reduced to one space for every five homes, creating problems of illegal parking and conflicts between neighbours as people started to park in surrounding neighbourhoods.

Public and green spaces

Public spaces are all around us, they are our 'open-air living room'.[290] Sustainable Development Goal 11.7 aims to 'provide universal access to safe, inclusive and accessible, green and public spaces (...) by 2030', as urban public and green spaces play a key role in improving the quality and liveability of urban agglomerations (see Box 4.5 on the Habitat III Thematic Meeting on Public Spaces). Public squares, streets and gardens, while part of the urban design, mostly have explicit social, cultural and citizenship functions. They enhance inhabitants' wellbeing and health, foster social cohesion, increase recreational space and provide neighbourhoods with an identity. Public space in a neighbourhood acts as an *agora*, a space for citizenship development, where a local market can be a driver of economic vibrancy. Public spaces also bring considerable environmental benefits through reduced energy consumption for cooling, air pollution and the urban heat-island effect. They protect biodiversity, intercept rainwater and prevent flooding. Today, however, **urban growth, privatization and the invasion of sectoral interests are putting unprecedented pressure on the provision of public spaces**. Limited access to former public spaces once these are privately acquired is common in many countries.

Various types of green spaces and green infrastructures are being promoted for sustainable objectives in many cities. Berlin has devised a Biotope Area Factor to monitor the ecological effectiveness of its public green spaces. In the United States, the iTree system operationalizes the value of trees in terms of energy savings, atmospheric CO_2 reduction, improved air quality, storm water run-off and aesthetic considerations: New York's 600,000 street trees provide an annual benefit of USD 122 million - over five times their maintenance cost. Durban has initiated a large-scale Community Reforestation Programme to pair environmental benefits with job creation, improved food security and educational opportunities.

BOX 4.4 A METROPOLITAN APPROACH TO THE CREATION OF GREEN SPACES

Green Works **Philadelphia** is adding 500 acres (202 hectares) of accessible green space as city government and neighbourhood residents transform empty or underused land into parks. The **New York** High Line linear park contributed to the regeneration of many areas and the engagement of communities along its course. In **London**, the construction of the Queen Elizabeth Olympic Park includes provision to support biodiversity: and London's government has also committed to building 100 new small (pocket) parks. **Madrid**'s Rio project created a linear green park along the Manzanares River (most of it on top of a large road tunnel) with provision for sport, leisure and cultural facilities. The Post Office Park in **Boston** was created from the conversion of a 4.6 hectare car park into a park with underground parking, whose revenues fund the park's maintenance. In **Montréal**, a huge limestone quarry was converted into a 1.9km^2 park, including a waste sorting centre and a power station that transforms biogas into electricity.

In order to mitigate hazards such as landslides or floods and their economic and social costs, the city of **Bogotá** has been planting trees and building green spaces as part of a programme that identifies high-risk zones and establishes land-use restrictions. In **Melbourne**, one project aims to plant 3,000 trees per year to double the city's tree canopy by 2040. In **Kampala**, a city where urbanization is out of control and where green spaces can only be found outside the city, plans are being implemented to restore some urban wetlands in order to create city parks.[291]

Waste management and circular economy: from pollution to zero waste

Waste management is an essential part of the reduction of urban environmental impacts, as acknowledged in the key targets of SDG 11.6. More than 11 billion tonnes of solid waste are collected annually across the globe, and latest statistics indicate that waste management contributes to 3.3% of global GHG emissions.[292] An increasing number of cities are turning to zero-waste, 'cradle-to-cradle' strategies for solid waste management and waste-to-energy schemes (see Box 4.6). Ambitious recycling and material recovery programmes have been successful at increasing the amount of waste diverted from landfill. While contributing to greener management, the innovation-driven development of technologies and tools for recycling has created employment – around 12 million jobs in Brazil, China and the United States alone in 2011.[293] In many developing countries, on the other hand, waste management is still problematic for many municipal administrations: its challenges are inextricably linked with issues of equality, social inclusion, education

and awareness, health and socio-economic informality.

An alternative approach to waste management can be found in the **circular economy**, or the search for production models based on recycling as a systemic mechanism to mitigate climate change and reduce resource depletion.[295] Today's urban settlements live and produce off a 'linear metabolism' that extracts resources from beyond its boundaries; uses and transforms them within its core; and emits waste in a number of forms, including landfilled waste, emissions, pollutions and heat – again outside its limits. Cities whose productive infrastructure is conceived along this linearity are net wasters, and would need infinite resources and waste allocation capacities to survive.[296] A circular economy approach can address the unsustainability of this linear metabolism. San Francisco, for instance, has achieved selective waste sorting for 80% of its total waste production,

BOX 4.5 THE 2016 HABITAT III THEMATIC MEETING ON PUBLIC SPACES, BARCELONA[294]

In preparation for Habitat III in October 2016, a thematic conference on public spaces took place in Barcelona on 4-5 April 2016 to advocate a central role for public spaces in the New Urban Agenda as key to achieving sustainable development. The Declaration that emerged emphasized – amongst other things – the need for a human-scale and people-centred approach to planning to ensure that public spaces are sustainable and inclusive; the importance of a citywide network of connected public spaces and streets; the need to foster formal and informal economic activities in public spaces to improve the livelihoods of local producers and workers; the necessity for public space and surrounding buildings to be economically, socially and environmentally sustainable; and the need for public space to be sufficiently sensitive to local geography, climate and culture, allowing for cultural and artistic activity.

Photo: Francesc - Barcelona (Spain).

through its tax system as well as financial incentives to lower waste production. A compulsory and well-established organic waste recycling system produces compost for the region's farmers.[300] In Geneva, where the concept of the circular economy has already been included in the canton's constitution, a collaborative platform was developed to allow enterprises to exchange methods and resources.[301] Extending these practices requires strengthening mutual collaboration and learning (e.g. supporting recycling and reuse clauses in public procurement).

Food security and urban agriculture

Urban agriculture is another theme that deserves attention in that it too simultaneously generates socio-economic and environmental benefits in metropolitan areas. This activity – referred to by some as 'ruralizing' urban settlements – has been under increasing scrutiny in recent years. Estimates suggest that around 1 billion people undertake farming and fishing activities in cities, meaning that 15% to 20% of the world's food supply comes from urban agglomerations.[302] In Detroit, where the population has shrunk significantly (1,850,000 inhabitants in 1950 compared to 680,000 in 2014) – mainly due to the automotive industry crisis – a number of urban wastelands have been revitalized and transformed into individual or communal vegetable gardens. A similar initiative took place in Rosario, Argentina (see Box 4.7).

BOX 4.6 INNOVATIVE WASTE MANAGEMENT IN DURBAN, BELO HORIZONTE AND VANCOUVER

In 2004, the city of **Durban** developed innovative solutions to improve waste management and use it to produce electricity, transforming methane from waste fermentation into clean electricity while reducing the environmental impact of urban landfill sites.[297] Since then, it has built 103 collection wells connected to a power plant that burns the methane to produce electricity. This project has created employment in sorting and recycling centres, reduced the city's annual CO_2 emissions by 54,000 tonnes, and converted some old landfill sites into green public spaces.

Belo Horizonte in Brazil implemented a social policy to improve the structure of informal employment and raise the standard of living of the urban poor, which at the same time led to the development of an integrated solid waste management strategy (ISWM). In the 1990s, local legislation was changed to promote the collection of recyclables by cooperatives of informal waste-pickers. Seeing that a partnership with the city would further improve their productivity and help meet both environmental and socio-economic goals, the city decided to further integrate the informal sector into municipal waste management. This helped achieve the four main objectives of the ISWM; namely, to increase recycling waste, social inclusion, job creation and income generation. Since the introduction of this policy, the waste sector has substantially improved. In 2008, around 95% of the urban population and 70% of the population in informal settlements (*favelas*) received a collection service. In 2013, around 600 waste-pickers worked for these cooperatives, which had a total of 80 sorting warehouses.[298]

Canada's National Zero Waste Council is an initiative led by Metro Vancouver, with support from the Federation of Canadian Municipalities and other groups. It seeks to reduce the generation of waste and increase recycling rates in Canada's third largest metropolitan area (2.3 million residents). The Council is implementing a 'cradle-to-cradle' approach that will result in less material and energy being used and eventually discarded. The approach will reduce or eliminate the use of toxic chemicals and lead to the manufacture of products that can more easily be disassembled into reusable and recyclable components. Metro Vancouver's Integrated Solid Waste and Resource Management Plan (ISWRMP) has set ambitious waste reduction and diversion targets. At this point in time, most of its work falls within the jurisdiction of Metro Vancouver and its member municipalities. The National Zero Waste Council reaches beyond the local jurisdiction, influencing the design of products in favour of cradle-to-cradle approaches, and creating greater public awareness of the need to reduce and prevent waste.[299]

4.1.2 Densification[305]

As previously mentioned, one step towards sustainable metropolises is to promote functional mixing and density.

Cities have tended to expand with new districts appearing on their fringes as a result of a lack of urban planning in many metropolitan areas, as well as the liberalization of the land markets. Former 'extensive' models of urbanization were a result of an increasing reliance on cars and a preference for individual houses, with quality of life associated with low-density spaces. In Mexico since the 1990s, for example, gigantic individual housing lots have increasingly been favoured, with more than 500,000 housing units being built, some developments containing up to 20,000 units, and many of them unoccupied.[306]

Cairo, likewise, is a paradigmatic case of urban expansion: between 2006 and 2016, its population increased by 3 million, but the area built on or under construction doubled, spreading to the desert hinterland.[307] Urban development in desert areas for the middle and upper classes attracted a third of overall investment while only one tenth of 'new' inhabitants eventually settled there.[308] In Tunis, the whole built environment (both formal and informal) follows a horizontal settlement pattern, consuming a large amount of space. Such urban sprawl leads to higher CO_2 emissions, illustrated by Table 4.1 which shows two metropolises with similar wealth levels and population, yet very different areas, densities and CO_2 emissions.

Besides excessive land consumption, urban sprawl also creates accessibility problems, particularly for the working classes, leading to congestion, air pollution and public health issues.

BOX 4.7 ROSARIO: URBAN AGRICULTURE AS A GLOBAL SOLUTION[303]

In 2001, in response to the country's severe economic crisis, the city of Rosario (Argentina) developed an alternative ecological solution - the use and revitalization of agricultural gardens and park gardens. The aim was to improve the food supply for inhabitants, who could develop their own seeds and were supported in the commercialization process. 2,500 families now contribute to the production and commercialization process under the scheme. The municipality works with households to promote 'exchange' using a circular economy model - for example recycling in return for organic vegetables. Other initiatives have followed: productive gardens on private properties; production of medicinal plants; and the signing of a cooperation agreement with other cities such as Guarulhos in Brazil.[304]

The urban density model can potentially solve some of these problems (see Box 4.8). According to a report by the New Climate Economy (2014), '[m]ore compact, connected urban development could reduce global urban infrastructure requirements by more than USD 3 trillion over the next 15 years (2015–2030)'.[309] The compact city and 'Smart Growth' concepts are often seen as models of sustainability because of the way in which they reduce land consumption and transit needs (and thus CO_2 emissions and reliance on cars), while encouraging the use of public transportation, cycling and walking, as well as limiting socio-spatial segregation.[310]

Table 4.1 **Comparison in CO_2 emissions between dense and sprawling metropolises**

Source: Demographia World Urban Areas 2015, Global Commission on the Economy and Climate (2014)

	Atlanta, United States (2015)	Barcelona, Spain (2015)
Population	5,015,000	4,693,000
Urban area	6,851km^2	1,075km^2
Density	700 inhab./km^2	4,400 inhab./km^2
Tonnes of CO_2/inhabitant	7.5	0.7

BOX 4.8 HONG KONG'S MODEL: AN EXCEPTION?

When it comes to dense urban development, Hong Kong is a frequently cited example. It has built efficient public transport systems and achieved very low transport-related CO_2 emissions and car ownership through high densities of residencies, workplaces and public transport nodes. The city has, among other things, strictly defined where development can take place and prioritized the regeneration of existing urban areas over expansion into non-urbanized areas. As a result, 43% of Hong Kong's population (3 million people) live within 500m of a Mass Transit Railway (MTR) station, and the majority lives within 1km of an MTR. Partly due to the high density (average of 21,900/km^2), 45% of trips are on foot, and the estimated CO_2 emissions from passenger transport/person are 378kg, compared to, for example, 5,000kg in Houston, United States.[311] Accommodation, on the other hand, is among the smallest in the world, highlighting the disadvantages (in terms of quality of life) of over-densification and high land and property prices.

Metropolitan cities are generally more exposed to catastrophic natural disasters than they were in the past

In cities of the Global South, densification is increasing, although its implementation has not always been ideal. This has been facilitated by a decline in internal migration and urban growth, as well as in the saturation of the land market. Many residents have begun to settle in city centres, leading to the revitalization of central and peri-central districts – a phenomenon which can be seen in Latin America. In São Paulo, for example, **urban growth largely takes place in existing neighbourhoods (both informal and formal) through the densification of the built environment.**[312] In Lima, old two-storey housing units, characteristic of the city centre 50 years ago, are being replaced by 10, 15 or 20-storey buildings.[313] This kind of densification has highlighted both the advantages and potential shortcomings of the process.[314] Densification prioritizes environmental and economic dimensions, often at the expense of more social dimensions. Denser, more active, attractive neighbourhoods tend to elicit higher property prices, frequently marginalizing those low-income communities that have lived in these areas for decades. The link between densification and exacerbated congestion problems and lower quality of life is likewise proven.[315]

Densification policies, particularly in cities of the Global South, all too often consist of the creation of housing units for middle and upper classes, or for the most advantaged lower classes (as in the case of the MIVIVIENDA SA fund in Peru), at the expense of the least privileged. Especially in central and peri-central districts, these plans stimulate gentrifying dynamics, land and property speculation, and the relegation of most vulnerable populations to peripheral, under-served areas[316] thus making it more difficult to address issues related to inadequate housing, sanitation and access to basic services for all. Density, conversely, has been problematic in the case of informal settlements. People living in crowded environments are exposed to complex social, environmental and health challenges. These scenarios highlight the challenge of promoting the densification of middle-class areas, with an ambition to foster greater social integration, while at the same time supporting the de-densification of crowded, under-served informal areas.

The shortcomings of some densification policies – particularly in terms of their social impact – by no means invalidate the need to counter urban sprawl, a trend which has led to over-consumption of agricultural land and social, economic and environmental costs that our planet can no longer afford.

4.1.3 Metropolitan areas in the face of risk: resilience, actions taken and prospects[317]

As a result of urban growth and climate change, metropolitan cities are generally more exposed to catastrophic natural disasters than they were in the past. As rising sea levels from global warming and man-made climate change are an increasing worldwide threat, coastal metropolises now face an unprecedented risk of flooding. **Climate change has also weakened the natural, technical and financial resources that societies have at their disposal to react to such impacts** – a dynamic all the more serious in developing economies. Larger metropolitan areas are even more vulnerable to such events, given the ongoing expansion of urban agglomerations in risk-prone areas. These risks are hydro-climatic (storms, heat waves, heavy rains), as much as they are geological (tsunamis, earthquakes, volcanic eruptions) and are often cumulative. Metropolitan areas such as Phnom Penh, Bangkok and Manila are built on river floodplains. Some national and

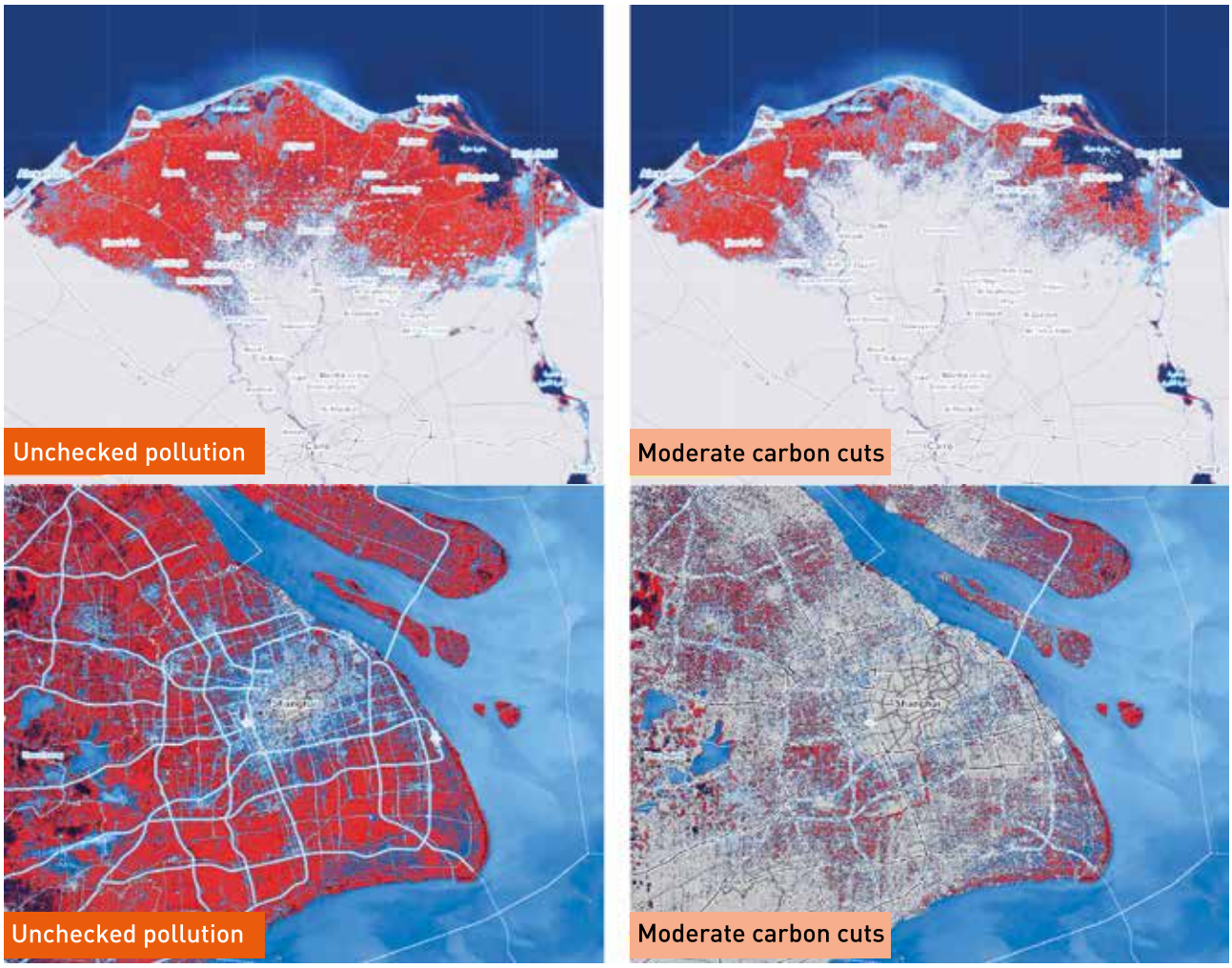
local governments have been more receptive to risk reduction plans to increase city resilience. For example in Manila (Philippines), a resettlement plan was introduced in 2010 to remove informal settlers living in vulnerable areas along the city's waterways.[318] Even though some of the more worrying examples of these risks are located in the Global South, wealthier metropolises such as New York, London and Amsterdam, amongst others, are not exempt from potential danger.[319]

In light of this, resilience has become a core policy principle on which to build sustainable metropolises (one of the targets of SDG 11.5), and it is a principle that goes well beyond adaptation capacities.[320] Resilience is generally defined as a city's ability to react and adapt to natural catastrophes in an attempt to bring back normal life,[321] or to restore the equilibrium and preserve the system's qualitative structure.[322]

The degree of urban resilience is not just affected by geography. Metropolitan contexts, and large agglomerations in particular, have to take into account a plurality of factors (technical, socio-economic, psychological, etc.). Historically, precarious and marginal settlements have tended to concentrate in

Figure 4.1 **Impact of sea-level rise over the next 100 years on the Nile Delta area (above) and the city of Shanghai (below)**

Source: Climate Central (www.climatecentral.com), data of the United States' Department of Commerce's National Oceanic and Atmospheric Administration (NOAA, www.noaa.gov/)



Prospective flooded areas are visualized in shades of red.

the most risk-exposed areas, more often than not the only land available, accessible or affordable by the most disadvantaged groups and communities.[323] This is why resilience can only be developed collectively and systematically with citizens, seeking viable solutions even when financial and coordination capacities are lacking.[324]

At the same time, **urban resilience cannot be thought of exclusively in relation to natural disasters or climate events. It is also linked to factors such as peace, security, basic services provision, social inequality, youth unemployment, and disease outbreaks**, amongst others. Outbreaks, for example, are particularly acute in metropolises, where higher density makes epidemic spread and contagion faster and less controllable. Cities such as Monrovia (Liberia) and Freetown (Sierra Leone) were significant breeding grounds for the 2014 Ebola virus outbreak, which led to the death of 8,761 people across Liberia and Sierra Leone, according to the World Health Organization.[325] UN-Habitat's chief technical adviser said that the outbreak would not have reached such a scale had the city of Monrovia, for example, been more organized and more accurate information on its demographics had been available to authorities and operators.[325]

Accordingly, resilience has also been developed as a toolkit to react to the fragility as well as the structural and inherent challenges that arise in the daily functioning of any large urban settlement. Social exclusion, inadequate transit, health and education, crime and insecurity[327]and a poor quality of life, all increase the precariousness of urban settlements and, in particular, those communities most exposed to risk – the poor, the disabled, the elderly, women, children and minorities. Since they impoverish and debilitate their social and human capital, these factors threaten and weaken the ability of cities – both in developed and developing countries – to respond to the challenge of long-term sustainability – socially, administratively, and/or financially.

Weak dialogue and coordination between different levels of government, however, hinder the development of a systemic approach. Lack of inclusion and transparency for marginalized populations and vulnerable neighbourhoods have affected large capital cities like Jakarta (Indonesia), where top-down responses have been limited to crisis management, forced displacement or awareness-raising campaigns, with no consistent involvement of local actors and interlocutors.[328]

Africa, in particular, has witnessed both harsh climatic events and the proliferation of informal settlements in areas exposed to flooding and soil erosion. Ouagadougou (Burkina Faso), Niamey (Niger), Dakar (Senegal) and Accra (Ghana) have all experienced multiple deadly events in areas where more than 60% of inhabitants have neither stable household income nor access to basic services and infrastructure.

Cities that have invested more heavily in sustainable development tend to have competent, empowered local governments.[329] Given the number of economic and financial issues which cities face, citizen involvement

BOX 4.9 SURAT PREVENTION STRATEGIES[330]

In Surat (India), two disasters – a plague epidemic in 1994 and a very serious flood in 2006 – contributed to the reshaping of the city government's social and environmental policies.

In response to the plague, the city government considerably increased the priority given to the provision of cleaner water and the management of excreta and solid waste. In 1995, a new Commissioner committed to transforming the quality and coverage of solid waste collection and management, the cleaning of streets and the municipality's public healthcare system. By 2010, 95% of the municipality's population had access to its piped water system and 86% had access to sewers. Many 'slums' were upgraded, with provision of water, sanitation and solid waste collection much improved. Surat is now considered one of the cleanest cities in India.

Since 1979, there have been five major floods in Surat. In response to this, the municipality has improved delivery of essential services. During the monsoon in particular, the municipality clears its drainage and sewer systems to increase its capacity to manage flood waters. Evacuation procedures have been enforced and some residents most at risk from flooding have been relocated. Water levels are also monitored from the reservoir behind the Ukai dam, in order to give more time to issue flood warnings. The warning system has been improved, including warnings now being sent via SMS to mobile phones.

is an essential precondition for the establishment of efficient local resilience systems. A study by the United Nations International Strategy for Disaster Reduction (UNISDR) and the Centre for Urban Disaster Risk Reduction Resilience (CUDRR+R) found variations in the ability of local government authorities to undertake resilience actions, particularly in relation to societal capacity and stakeholder participation – indicating a regional capacity gap in this area.[331]

Adopting measures to boost resilience is becoming more and more common in local government management systems across the world.[332]

Cooperation frameworks for knowledge exchange and prevention schemes have also grown significantly. Networks and consortia such as the UNISDR, the ICLEI–Local Governments for Sustainability group, the Making Cities Resilient campaign, or the 100 Resilient Cities network (promoted by the Rockefeller Foundation)[333] are just some examples. As recently as March 2015, the UNISDR led the third UN World Conference on Disaster Risk Reduction in Sendai, Japan. The conference gathered representatives from 185 UN member states, including a strong delegation of local authorities. It produced a framework document that highlighted the goals needed for the next few decades to foster resilience in the face of disaster. These priorities include understanding disaster risk, strengthening disaster risk governance, investing in disaster risk reduction, and enhancing disaster preparedness for effective response.[334]

To foster resilient, environmentally sustainable metropolitan areas, alternative trajectories must be developed that transform production and consumption patterns to simultaneously promote green, low-carbon, socially integrated and resource-efficient urban areas. To increase resilience to natural or man-made disasters, the identification of the most vulnerable areas and population groups (e.g. slums) should be supported by the development of preventive infrastructures (against flooding and similar phenomena, for example), adequate housing and resilience mechanisms integrated across all urban policies.

4.2 SOCIAL SUSTAINABILITY AND QUALITY OF LIFE IN METROPOLISES

The analysis conducted so far shows that the key dimensions of environmental sustainability and social inclusion should be addressed within a comprehensive, holistic framework of action. To promote cities that are sustainable, accessible and inclusive – as mentioned in the introduction of this chapter – both these dimensions should be linked to the 'Right to the City', thus guaranteeing that 'citizenship rights' are an integral part of metropolitan policies.[335]

Four such rights are examined in the following sub-sections: the right to land, the right to housing, the right to universal access to basic services, and the right to culture. Current available data illustrates the pressing demand for decent housing: '[t]he expected urban global population increase of 1,023 billion by 2030, combined with the existing housing deficit (currently around 880 million people live in inadequate housing in cities and this number could well be an underestimate)[336] implies that approximately 2 billion people will require housing by 2030'.[337] The figures on access to water and sanitation are similarly worrying (see Section 4.2.3 below). If these issues are not adequately addressed, two out of five urban dwellers will not have access to decent housing and will have to resort to informal settlements by 2030 – mostly in metropolitan areas. Access to decent and affordable housing, as well as to water and sanitation, and an adequate standard of living, are recognized as human and social rights.[338]

Alternative trajectories must be developed that transform production and consumption patterns to simultaneously promote green, low carbon, socially integrated and resource-efficient urban areas

4.2.1 Access to land: the first step towards decent housing[339]

The concept of right to land focuses on issues of social exclusion and discrimination (notably gender-related) which are linked to land use. Access to land and its regulation – cornerstones of housing and of the 'Right to the City' – implies better control of land use, easier access for the most vulnerable communities, and the regulation of those market forces which can lead to excessive housing costs, restrict the supply of affordable housing, and thus penalize millions of underprivileged city dwellers.

In the 1960s and 1970s, in the first phases of urbanization of the most dynamic metropolises in developing countries, access to land was relatively easy. However, in the past 20-30 years, access has become much more complex, with a general shortage of affordable housing. Some fast-growing metropolitan areas have seen the spread of informal settlements alongside a process of liberalization and commodification of the land market. In cities such as Abidjan (Côte d'Ivoire) and Cairo (Egypt), customary land rules or practices have been replaced by land grabbing and commodification, resulting in rising land costs and increasingly difficult access for the least advantaged citizens.[340]

Security of tenure is a major issue in most metropolitan areas of the developing world. According to UN-Habitat, two thirds of slum dwellers do not hold legal titles. In many countries, women particularly are subject to discrimination (no legal right to inheritance, high vulnerability in the event of divorce or widowhood, etc.). Additionally, the illegality of slums means limited social safety nets and family protection, particularly in the face of violence.[341] In some countries, the universal norm of individual property rights goes against the customs of indigenous communities, which are founded on collective or communal tenure rights.[342]

The right to housing involves recognizing the right to a decent and healthy place to live for everybody

Effective legalization of property tenure for the most disadvantaged comes up against different barriers in different metropolises (e.g. institutional blockage in Cairo and interest groups or 'mafias' in Ouagadougou, Bamako and Mumbai). Strategies to introduce tenure security have focused on two different approaches: property rights recognition and usufruct rights. Those who support the latter argue that property rights recognition tends to lead to rising prices and more marginalization, especially for those households that are not able to benefit from legalization processes and remain in the 'grey' areas of property management.[343]

Some countries have chosen to distribute property titles to facilitate access to mortgages and investments in housing improvements. For example, Peru and Brazil have developed a large-scale securitization process, with more than 1 million titles distributed. However, building-permit systems and weak management of vacant public land have undermined this process in Brazil, while in Peru the programme was not adequately supported by access to urban services.[344]

Recognition of land tenure is often considered more efficient and fairer than legalization. To facilitate this process, some programmes have adopted a 'hybrid approach', for example using tax payment records, recognition by neighbours or peers of 'real tenure', or traditional modalities (e.g. contracts based on oral agreements or *Hujja* in Amman).[345] Access to land for the more vulnerable could be facilitated by using public land and better regulation of the land market.

4.2.2 The right to housing[346]

Along with the right to land, **the right to housing is an essential dimension of social sustainability, given the importance of the home and residential attachment for wellbeing**.[347] Nevertheless, the global sums dedicated to social housing are currently insufficient to achieve SDG Goal 11.1 ('ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums').

Throughout the 2000s, housing has become a global and often opaque financial instrument – as seen in the United States sub-prime crisis – often at the expense of middle and low-income households. As mentioned above, in recent years, institutional investment in properties has increased dramatically (see Section 3.2).[348]

Whereas in developing countries an increasing number of people have resorted to living in slums (55.9% of Sub-Saharan Africa's urban population in 2014),[349] in developed countries property inflation has pushed middle and low-income households towards the peripheries. In almost all cities, this trend has been aggravated by the increasing price of housing and the reduction of available social housing. In fact, 'over 100 million people in the Global North suffer a housing cost overburden, spending 40% or more of their household income on housing'.[350] The percentage of available social housing has been declining in the last few decades due to the disappearance of regulated tenancies (35,000 state-sponsored social housing units have been 'lost' in New York since the 1990s) or to privatization policies (in England but also in China, social housing stock reduced by 90% over the past 15 years).[351] In England, more than 1.8 million households were on social housing waiting lists in 2014 and the United States is currently short of 5.3 million affordable housing units.[352]

The right to housing involves recognizing the right to a decent and healthy place to live

for everybody, as acknowledged in the UN's Habitat II Summit and at the heart of the debate for Habitat III (see Box 4.10).

Countries such as France and South Africa have included this right in their legislation, yet its implementation has rarely been straightforward. While France's 'solidarity and urban renewal' law (2000) for example made it obligatory for each municipality to have a 25% quota of social housing in their building stock, many municipalities have failed to comply.[354] Furthermore, certain renewal policies of urban social housing in Northern America and Europe which led to the demolition of old social buildings as an alternative to spatial segregation and discrimination have been criticized for their lack of adequate social criteria.[355]

While housing policies can successfully address the lack of adequate and affordable housing in emergent or developing countries, some of them have led to the transfer of populations to isolated areas and a spatial concentration of the poor. In Brazil and Morocco, programmes such as *Minha Casa* or 'cities without slums' offer alternatives to the *favelas* (slums) but often in areas remote from jobs and services.[356] At the same time, private real-estate companies (e.g. in Mexico, Turkey, Morocco and Egypt) have developed affordable housing projects, but in many cases on the peripheries, thereby encouraging urban sprawl.[357]

On the other hand, many countries have also supported *in situ* municipal and national slum upgrading programmes, even if there is still strong resistance to fully recognizing informal settlements. Frequently, rehabilitation policies focus on improving basic services, sometimes coupled with land redistribution (e.g. through 'developed plots') and urban standardization through a grid street plan to 'normalize' the urban frame.[358] The concept of self-construction is often disregarded by these policies, while relocation in new urban areas, in association with developers, is increasingly relied upon. However, success stories based on the strong involvement of community organizations should also be highlighted. In Recife, slums have been included in 'economic areas of special interest' (ZEIS). In Lima, the '*Barrio Mío*' programme subsidized basic infrastructure and services for residents of upgraded areas. In Medellín, the parks department improved the linkages of self-built neighbourhoods with the rest of the urban fabric. In Mexico City, the neighbourhood improvement

BOX 4.10 HABITAT III THEMATIC MEETING ON INFORMAL SETTLEMENTS

In April 2016, a Habitat III thematic meeting on informal settlements took place in Pretoria, South Africa. The Declaration that emerged from this reiterated 'the right to an adequate standard of living, including the right to adequate housing [...]' and emphasized the dual characteristic of slums as both a cause and a consequence of poverty, social exclusion and environmental degradation. The Declaration stressed the need for a New Urban Agenda that – among other things – 'strengthens local government and improves urban governance and management [...]' to 'foster a collaborative, participatory process to improve living conditions in informal settlements, incrementally upgrading existing and preventing new slums', and 'adequately equips national, sub-national and local authorities, as well as slum dwellers, with strategic partnerships for sustained and affordable financing strategies for participatory incremental sustainable slum upgrading and prevention'.[353]

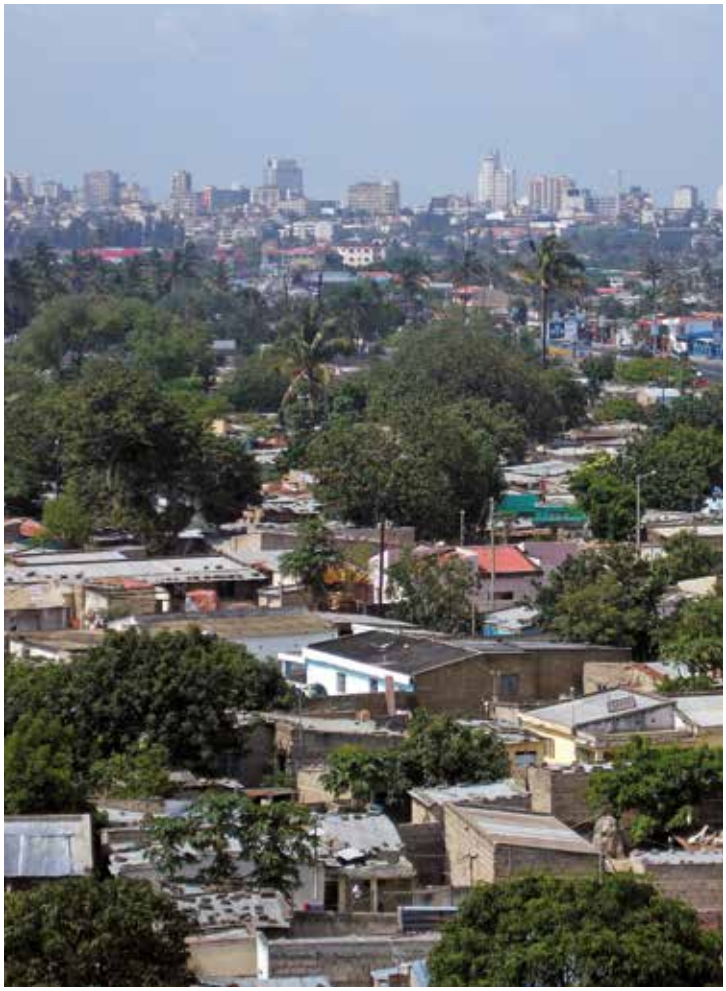


Photo: UCLG - Maputo (Mozambique).

programme (PMB) has supported the development of local infrastructure and basic services. Alliances between organized citizenship and local government have been central to successful rehabilitation initiatives in Thailand, the Philippines, India and several other countries.[365]

Civil society initiatives can also contribute to the production of affordable housing (e.g. community land trusts and housing cooperatives - see Box 4.11). Numerous housing cooperative initiatives have emerged – as varied in number as in name[366] – and some have been, or are being, institutionalized.[367]

The generic term 'slums' trivializes the diversity of human settlements.[368] In metropolitan areas characterized by extended slums, these informal settlements should be recognized as legitimate and historical means of urban production, and their formalization and integration into municipal management systems should be supported. Metropolitan areas should adopt measures other than demolition (still frequently used) to tackle slums. Globally, between 1998 and 2008, at least 18.6 million people had been affected by forced evictions.[369] In New Delhi, between 1990 and 2008, 221 precarious neighbourhoods were destroyed in order to clean up the city[370] – a process sped up by the approaching Commonwealth Games.

In light of this, it is important to have **strong public policies for affordable housing and adequate support for civil society initiatives concerned with the production and management of housing, particularly in collective and communal developments, preserving tenants' status,**[371] preventing vacant housing and promoting fair and equitable access to housing as well as their proximity to basic services.

The right to housing means including citizens in governance bodies that plan and build social housing, as well as avoiding 'electoralization' or politicization in housing allocation. Metropolitan areas that successfully manage their housing policy can be replicated at other levels of government, thus fostering integration and ensuring efficiency.

BOX 4.11 COMMUNITY LAND TRUSTS – NEW YORK AND BRUSSELS [359]

Community Land Trusts (CLTs) are instruments of protection against gentrification and the displacement of local residents. They give power to communities that have historically been powerless, prioritizing use value over exchange value,[360] and looking at housing as a human right rather than a market commodity. CLTs are non-profit community organizations that own pieces of land reserved for affordable social housing. They collaborate with non-profit housing associations that let out housing units according to specific profiles. Widely developed in the United States, this model has proved the efficiency and relevance of land used as social heritage, promoting wider access to housing.[361]

In New York, for example,[362] a CLT has been set up using expertise gathered from an organization combatting homelessness (Picture the Homeless), academics (Columbia University), a community organization (New Economy Project), and inhabitants of East Harlem.

In Brussels,[363] the 'Brussels Community Land Trust Platform' was created in 2009. In 2012, the City of Brussels decided to develop a CLT (incorporating, for example, affordable housing production, loans for low-income households and prevention of unoccupied housing). This is financially supported and legally protected by public authorities (integrated into the housing code under the Regional Land Alliance) and is recognized as an efficient instrument for the production of affordable housing.[364]

4.2.3 Access to public services

Severe deficiencies in service provision (e.g. fresh water and sanitation, energy, transportation, waste management, healthcare and ICT connectivity) affect the urban fabric and infrastructure in many countries and economies around the world. This prevents a large number of people from living with dignity and perpetuates large-scale and systematic inequality. **Across developing countries, there are still 2.4 billion people lacking access to improved sanitation facilities and 1.9 billion people using unimproved or potentially contaminated water sources**. Global figures indicate a decline in access to such services in urban areas of Sub-Saharan Africa.[372] In the Global North, the issue of affordability creates unequal access to basic services, often leading to energy poverty (e.g. 10.8% of the European Union population – about 54 million people – were unable to adequately heat their homes in 2012).[373] These numbers are all the more alarming as local governments will have to expand service provision in the face of rapid urban growth: estimates suggest that 667 million more people will be living in the world's metropolises by 2030.[374]

Inclusive metropolises that respect the human rights and basic needs of their population need to re-assess their governance systems and explore adequate models for the management and financing of the services they deliver to their citizens. Women in particular have different patterns of use of basic public services. With respect to public transport, for example, gender-aware mobility policies should consider not only the specific safety needs of the female population, but also the impact of the persistent gender pay gap, which significantly affects the spending capacity of female service users and customers.

In most decentralized countries, the responsibility for basic service provision has been devolved to local governments or special purpose authorities (e.g. the Metropolitan Transit Agency of New York or water districts in the United States). In many countries, however, service provision and its management have been dominated by public or private utilities (generally structured as joint ventures) often controlled directly by central government (e.g. Buenos Aires in Argentina or in large agglomerations of Northern and Western Africa) or by regional governments (e.g. Brazil). Utilities are normally organized on a sectoral basis at corporate level, with limited accountability at the local level. Provided that most urban services cross municipal boundaries, **a unique metropolitan structure to coordinate provision would, in most cases, be ideal so that loss-making and profitable services are progressively equalized**. In fact, some countries have successfully implemented a model of local multi-service enterprises, owned by local authorities (e.g. Germany's *Stadtwerke* or the *Empresas Públicas de Medellín* consortium of public utilities in Medellín, Colombia).[375]

The concentration of tasks and responsibilities into one large metropolitan authority, however, can also reduce efficiency incentives, limit the attention paid to local needs and demands, and hinder the ability to adapt to variable economic conditions. Moreover, this potential drop in efficiency of basic service provision tends to translate into higher service costs, lower quality and poor accessibility for the least favoured citizens.[376]

While a combination of tariffs, taxes and transfers[377] can, under certain circumstances, sustain maintenance, in most developing countries the revenues these generate have been insufficient to finance service expansion to unserved areas. This has excluded many urban areas from service provision altogether. Cost effectiveness has also not been properly balanced across those services that are provided: some have been consistently loss-making (e.g. transport and sanitation), whilst others have been profitable (e.g. electricity and communication). Even if central governments remain a major source of financing for basic services, local governments are expected to provide an increasing proportion of it, mostly in high and middle-income countries.

Service provision and the issue of affordability

Finding a balance between affordability and financial sustainability is a central challenge for public services,[378] although the two goals are not mutually exclusive. Affordability is particularly critical in low and middle-income countries, with a large presence of informal settlements. The affordability debate is usually considered from two different perspectives: a) a market approach, assessing household incomes and setting tariffs that poorer groups can afford; and b) a human rights approach, especially for water provision, implying that access to a minimum level of consumption should be free and guaranteed.[379] In South Africa, for instance, the poor are guaranteed minimum levels of free access to water, electricity and solid waste collection,[380] a strategy that has substantially increased access over the past 15 years, though it has not yet provided universal access to drinking water. In the European Union, the treaties recognize affordability as an important value in the provision of all services. The law protects poorer households and warrants minimum access to essential services. Newly-adopted rules on 'energy poverty', for instance, have gone as far as to prohibit service disconnection in critical circumstances.[381]

Affordability is particularly critical in low and middle-income countries, with a large presence of informal settlements

Price differentiation, however, has generally been more common. It tends to be implemented through cross-subsidization, to support low-income households.[382] Alternative options include direct subsidies, through targeted income support or cash transfers, as in Chile and Colombia. However, policies that keep tariffs low for all users are not necessarily increasing inclusiveness, failing sometimes either to involve poorer recipients or to ensure the system's financial sustainability, or both. In Africa, for instance, about 90% of the recipients of subsidies for piped water or electricity services belong to the richest 60% of the population.[383]

Affordability is even more of a critical issue for those underserved households that rely on informal vendors and providers. They are often charged more than they would be if they could access the network, with a dramatic impact on their household incomes. It is up to local governments to monitor this situation and its effect on the overall system performance.

Basic services management: the role of bottom-up participation

No ideal one-size-fits-all model for the management and financing of basic services is yet available. The optimal choice between outsourcing and direct management can only be made on a case-by-case assessment by public authorities, who need the freedom to adopt their preferred management model to increase flexibility and adaptation to local contexts.[384] In any case, an effective, well-enforced regulatory framework is essential to empower local governments to guarantee universal access to quality basic services and protect the commons.

Photo: Patty Ho - Colombo (Sri Lanka).

As a response to the increasing challenges of service provision over the last two decades, many countries and international institutions have promoted reforms that have sought to outsource provision to private operators. As a result, the participation of the private sector in basic service provision, through Public-Private Partnerships (PPPs), has become popular in the last few decades, seen as a way to reduce costs and attract investment (see also Section 2.3.1). As emphasized by the United Nations Department for Economic and Social Affairs (UN-DESA), however, the hope that private sector participation and concession schemes would bring new investments in and broaden access, particularly in low-income countries, has not always been fulfilled.[385] A trend towards the re-municipalization of basic services, on the other hand, has been reintroduced by some European cities in the last decade,[386] while new PPP models based on knowledge-sharing have also emerged, showing interesting results in terms of improving access to public services (e.g. a PPP between the public water company in Algiers and an international company to strengthen management and professional capacities).[387]

Other partnership systems are also being used to strengthen public services delivery, such as Public-Public Partnerships (PUPs), involving decentralized cooperation between different public bodies, or Public-Private-People Partnerships (PPPPs), including citizens and civil society in a bottom-up participative approach to infrastructure planning and policy-making. User participation in monitoring and evaluation also helps improve the quality of public services (e.g. community score cards in many cities in Malawi and Sri Lanka or an eco-solidarity observatory in Dunkerque, France, created to evaluate the affordability of access to water).[388]

Small private enterprises in both the formal and informal sectors play an important role where the quality and extent of provision by official service providers is lacking, providing a high proportion of the urban population with basic services.[389] Small providers can be a 'second-best solution', for example with public standpipes or dry sanitation, or the use of environmentally safe methods for processing wastewater, or street lighting and solar lanterns (e.g. in Kenya). There are many examples in African countries, resulting in a 'hybrid' model of provision, especially in peripheral urban areas where small autonomous systems

(with well pumps, storage and piping systems) ensure distribution of water to a group of houses or neighbourhoods.[390] The share of the population with water provided by such operators in major urban centres in Africa ranges from 21% in Dakar to 80% in Khartoum. Informal provision of electricity in the region are at similar levels.[391] Municipal authorities have also partnered with small private entrepreneurs to provide toilets or sanitation (in Suzhou, China, and in Mumbai, in partnership with a federation of women slum-dwellers). Such initiatives have produced better-quality, cheaper, and better-managed solutions.[392]

In most cities of Africa, Asia and Latin America, small-scale informal transit modes (e.g. minibuses, scooters, tricycles or shared taxis) are central to the efficiency of transport systems. In Latin America, up to 30% of journeys are made using informal transport, with a much higher proportion among low-income groups. The lack of formal solid waste management services, similarly, has also often led to the emergence of cooperatives, micro-enterprises, NGOs and informal workers catering to households and businesses. In Latin America, these providers represent an estimated 3.3% of activity in the sector, rising to 7.8% in larger cities, where they are especially active in slums and informal settlements.[393] In many cities of Asia and Africa, tens of thousands of people make a living through waste collection,[394] sometimes competing with formal systems and challenging the capacities of weaker municipalities.

In many low and middle-income countries, there is also a long tradition of local communities playing a role in basic service provision, often with support from NGOs and community organizations. Infrastructure takes a long time to reach these areas and many inhabitants will for the foreseeable future continue to depend on community provision for their services.

Although such alternatives to the conventional service network are often unrecorded and untaxed, and may be more vulnerable, they have the advantage of being easier to implement, more flexible and responsive. They can more easily adapt to low incomes, rapid urban growth, changing economic activities and land-use changes, and – particularly in the Global South – represent a way to promote access without the costly deployment of conventional networks that are unaffordable for many local governments and often ill-adapted to the rapid growth and changing dynamics of cities.

In the same vein, other types of decentralized production of services, sometimes called 'off-grid' or 'post-network' formulas – mostly found in industrialized countries, and particularly in Europe – are made possible through renewable and accessible techniques and affordable prices (solar panels, small wind turbines, small sewerage treatment plants, etc.). Although 'off-grid' formulas are not new (there are millions of diesel and gasoline generators in use across the world),[395] those based on renewable energy can create a 'prosumer' trend that transforms users' reliance on providers and turns the provider/user relationship into a user/co-producer one in which the user is a potential supplier, thus disrupting the economic model of universal networked infrastructure.

The role of local governments in regulating and overseeing these different alternatives is crucial because of the potential consequences for human and environmental safety. Given the complexity of the task at hand, the 'conventional' debate on the best model for the management of basic services in metropolitan areas is arguably obsolete, particularly when applied to low-income countries and even more so to informal settlements, where there are diverse issues related to the lack or absence of public services (health, water, sanitation, waste management, transport, electricity, public lighting, etc.) and where universal provision is often not foreseeable – at least through conventional infrastructure and financing and management methods. In this context the failures of, and unequal dynamics generated by, most conventional, centralized means of services provision (as well as the absence of basic services or the inability of residents to access them) have led to the search for alternative, more sustainable means of structurally differentiated provision. These measures – still nascent and subject to debate – involve a diversity of socio-technical systems of accessibility, actors, institutional structures and range of services – many of which are informal.[396] Although not without risks (e.g. fragmentation, social polarization), with further study and careful examination of local contexts and their socio-spatial dynamics, **such measures could represent a significant step towards achieving sustainable and universal access to basic services in metropolitan areas around the world.**[397]

There is a long tradition of local communities playing a role in basic service provision, often with support from NGOs and community organizations

4.3
AN EMERGING FIELD: THE CULTURAL DIMENSION OF METROPOLISES

In the last few years, increasing attention has been paid to the cultural dimension of sustainable development. While the connections between culture and sustainable development are visible at different levels, specific effects can be observed at the local level, for example the impact of rapid urbanization on the preservation of cultural heritage sites and the erosion and loss of traditional knowledge; the need for metropolitan areas to reflect on access to cultural venues; the attention paid to an increasingly diverse population; the greater role played by the cultural and creative economy in generating employment and contributing to broader economic development; and the planning of decentralized systems of cultural infrastructure, etc.

The recognition of culture as a space of diversity and the affirmation of the right to take part in cultural life have inspired some metropolises to establish models for cultural governance

In this context, new standards have been taken on by intergovernmental institutions and forums,[398] as well as by local governments, including metropolitan cities. Since the adoption of the Agenda 21 for Culture in 2004,[399] UCLG has taken up the Policy Statement on 'Culture as a Fourth Pillar of Sustainable Development'[400] in 2010, and a toolkit entitled 'Culture 21 Actions' in 2015.[401]

The affirmation of cultural policies

The strengthening of the cultural dimension in approaches to sustainability in metropolises relies on an understanding of the specific meaning and policy implications of its core components. These include the protection and promotion of tangible and intangible heritage; the recognition, protection and promotion of cultural diversity as an essential component of co-existence and a positive factor in urban dynamism; and the acknowledgement and promotion of creativity as being an aspect of human experience and a source of progress.

These values lie at the core of cultural policies designed by metropolitan governments. Measures adopted at the metropolitan level include the establishment of governmental departments and participative councils in charge of the design, implementation and evaluation of cultural policies; the adoption of cultural strategies and policies which take inspiration from cultural rights, including the right of all citizens to take part in cultural life; the mapping of elements of tangible and intangible cultural heritage as a basis for adopting safeguarding and promotion measures; and the organization of cultural events, including festivals, fairs and exhibitions.

A commitment to ensure the exercise of cultural rights by as many citizens as possible – including those in peripheral or disadvantaged areas who are often not able to access city-centre venues – has led many cities around the world to establish decentralized facilities. New cultural venues at the neighbourhood level can either be part of broad, extensive networks (e.g. community centres, libraries, theatres, auditoria, etc.) or be specialized institutions that respond to specific local needs or emerging challenges at the metropolitan level. Among identified good practices are the four Factories of Arts and Jobs (FAROS) set up by Mexico City to encourage creativity and the reconstitution of the social fabric in four peripheral neighbourhoods.[402] Similarly, the city of Bogotá has established an extensive network of local arts centres for children and young people (*Centros Locales de Artes para la Niñez y la Juventud*, CLAN) as part of its ambition to integrate artistic, cultural and sports education within the educational system, in close cooperation with local cultural actors.[403] Finally, the City of Barcelona established the Art Factories programme, with venues spread across different city districts, with the aim of giving a new use to former industrial sites and unique venues and providing artists and creative professionals with opportunities to develop creative work and foster innovation.[404]

The transversality of culture

The integrated nature of sustainable development can be seen in the synergies that exist between the cultural aspects and economic, social and environmental pillars already described. Policies adopted by metropolitan areas around the world include integration of cultural skills and knowledge related to intercultural dialogue and diversity in school curricula; facilitation of citizen initiatives for the sustainable use of public spaces; consideration of the cultural economy in local economic development strategies; involvement of cultural institutions that receive public support in their work with disadvantaged groups and neighbourhoods; integration of culture in programmes for

the renovation of historic urban centres; and recognition of public spaces as key resources for cultural interaction and participation. Among the challenges faced by metropolitan areas are the lack of appropriate cross-departmental or 'joined-up' policy structures, limited understanding of the meaning and policy implications of cultural aspects in other policy areas, and scarcity of appropriate tools for analysis (such as the Culture 21 Actions toolkit).

The governance of culture

The recognition of culture as a space of diversity and the affirmation of the right to take part in cultural life, including the right to contribute to priority-setting and policy design and management, have inspired some metropolises to establish models for cultural governance that integrate the voices of public, private and civil society stakeholders and seek to foster dialogue and collaboration.

Several cities and metropolitan areas are increasingly establishing mechanisms for a wider range of stakeholders to contribute to the public discussion, design and evaluation of cultural policies. This includes the broader analysis of local dynamics and the interaction between cultural and other spheres of metropolitan life. These mechanisms may either be specific to the cultural field or integrated within broader schemes fostering participative governance. Among examples identified in this area is the use of participatory budgeting in Belo Horizonte, which enabled citizens in several of the city's districts to make the establishment of local cultural centres a priority. As a result, an extensive network of community cultural centres now exists across the city.[405] Beyond decision-making, initiatives are needed that enable cooperation throughout the implementation of programmes and contribute to the emergence of a dense network of public, private and civil society agents across the city. The city of Lyon has defined its approach to cultural development as 'a culturally cooperative community', which recognizes citizen mobilization and engagement as one of the engines behind local cultural development. Through the adoption of tools such as the Cultural Cooperation Charter, it has fostered collaboration between small and large civil society and cultural institutions in the city centre and its neighbourhoods.[406]

The cultural dimension is also relevant in terms of spatial development, through the construction of cultural facilities and the creation of public spaces. These should be seen as essential meeting spaces to encourage cultural activities and diversity. Many metropolitan areas are experimenting with territorial and peri-urban planning by developing projects based on cultural, architectural, urban and natural heritage. Thus, culture and heritage become catalysts of territorial unity and shape economic, social and environmental policies. The natural parks of the Île-de-France region are an example of how the peripheral spaces of metropolises grow using heritage as a dynamic development tool.

Photo: Fezile Njokweni - Durban (South Africa).

5.

CONCLUSIONS: SHAPING THE AGENDA FOR METROPOLITAN AREAS

The 'Right to the City' as a cornerstone for urban policies

As outlined in the introduction to this chapter, our world is moving towards the peak of a 'metropolitan age', characterized by large, growing urban agglomerations with unprecedented complexity and diversity. Since metropolises today encompass 41% of the world's urban population and contribute significantly to the wealth of nations, a transformative approach has become necessary to ensure the prosperity, inclusiveness and sustainability of the metropolises of the future. This will take place in the context of significant uncertainties – possible extensive economic stagnation, large-scale regional conflicts and violence, environmental risks, and socio-political polarization – that will necessitate decisive and firm action.

Through a comprehensive analysis of the literature and contributions from different metropolitan leaders, this chapter highlights some of the stark contradictions of the 'metropolitan age'. **Metropolises play a central role in our societies yet have not resolved key issues relating to governance and democratic management**. Many metropolitan areas host massive concentrations of wealth and offer promising opportunities for growth whilst, at the same time, facing critical difficulties in delivering decent housing and access to quality basic services. Many cities are competing for growth and investment in a globalized world but, concurrently, are experiencing inequality, which exacerbates social segmentation and territorial polarization. Areas that promise better quality of life risk jeopardizing this through the irreversible depletion of their natural resources and life-support systems.

However, the chapter also shows how, through different policies and initiatives, metropolitan actors can successfully tackle many of these challenges, and actively support sustainable growth, social inclusion and environmental protection as mutually re-enforcing goals – respectful of the principles that inform the Sustainable Development Goals (SDGs), the COP 21 agreements, and the New Urban Agenda. The experiences that are documented reaffirm the critical role of metropolitan areas in the fulfilment of the international agendas, beyond the goals of SDG 11. Based on the lessons and examples given, and with reference to the 'Right to the City' as a cornerstone for urban policies, this section puts forward a set of key policy recommendations.

5.1 TRACKS FOR RESHAPING METROPOLITAN GOVERNANCE

However pressing the need to strengthen the governance of many metropolitan areas and megacities, the experiences of metropolitan governance presented in Section 2 demonstrate that there is no 'one-size-fits-all' solution. All

existing models need, to a certain extent, to be adapted and reinvented.

Many metropolitan governance systems are, in fact, being reformed and upgraded around the world. Such reforms, however, are rarely flawless and often involve trade-off; in general, they seem to have a higher chance of success when they are based on collaborative processes, with the involvement of different levels of government, than when they are top-down. Some basic principles that tend to bolster **democratic and collaborative metropolitan governance systems include local democracy, accountability, subsidiarity, effectiveness, adequate resources and financing instruments to foster a polycentric and balanced development**, together with 'equalizing' financial mechanisms for more cohesive, harmonized metropolitan areas.

A thorough reform of financing systems is urgently needed in many metropolitan areas, both in developed and developing countries. As mentioned above, many metropolitan areas operate in a 'low-investment, low-return' equilibrium, and lack fiscal resources to be able to invest in the infrastructure required for long-term growth. Although they must advocate strenuously for sustained and enhanced intergovernmental transfers, this report suggests that metropolitan sustainability will increasingly rest on the ability of local and metropolitan governments to become more **revenue self-sufficient**. This goal, however, will require a critical, comprehensive revision of fiscal frameworks and the deployment of innovative financial tools – so as to broaden the ability of metropolitan areas to capture the value of the economic growth they generate, while also improving access to responsible borrowing. These ambitions are very challenging in developing economies, where the soaring needs and demands for quality services of a growing urban population limit the financial options of cities. **At both the national and global level, therefore, a deep rethink of traditional financing approaches is needed to empower metropolitan authorities to address the financialization of urban economies, confront the privatization of urban public goods, and regulate property markets.** This would mean metropolitan areas could reconcile financial constraints with long-term sustainable development, and counterbalance the growing wealth inequalities both between and within cities.[407]

The success of metropolitan areas has a fundamental impact on national development in most countries. As such, metropolitan governance should be defined by a **collaborative and effective multilevel governance framework**. This report calls for a new deal between metropolitan areas and other tiers of government to ensure a clear recognition of the role of cities and, in particular, of metropolitan areas. It recommends strengthening national policies to support reform processes in metropolitan governance and enhancing the linkages between metropolises and other cities, settlements and territories.

As regards governance within the metropolitan area and its relations with civil society, the report advocates **the democratization of metropolitan governance** and a larger role for both local organizations and citizens, well beyond formal electoral channels. A buoyant local democracy is a precondition for the emergence of a new form of metropolitan governance, able to recognize and mitigate the tensions and contradictions inherent in complex urban societies. It should be supported by clear participatory mechanisms that facilitate the active engagement of civil society, especially excluded and disenfranchised groups, including immigrants. The gender perspective must also be integrated into the design, execution and evaluation of public policies **through the systematic application of the principle of equal treatment and opportunities for women and men in all public policies**.

New technologies facilitate access to data and create opportunities for new forms of participation. The free flow of information is key to the transparency and openness of new systems and methods that metropolises can establish within their own institutional arrangements.

Empowered and well-organized local communities, able to develop their own initiatives, can and should participate in the co-production and implementation of city policies (e.g. planning, slum upgrading and service delivery) through responsible partnerships.

Section 2 calls for a change in the mindset of city governments as part of the transformative shift in metropolitan governance. This should take the form of a metropolitan leadership that embraces experimental alternatives and seeks new management and cooperation paradigms; and leaders that move from fragmented sector-specific decision-making to a strategic

Since metropolises today encompass 41% of the world's urban population and contribute significantly to the wealth of nations, a transformative approach has become necessary to ensure the prosperity, inclusiveness and sustainability of the metropolises of the future

approach that takes into account the systemic tensions between inclusion, environmental policies and the need for sustained development. Although not entirely new or risk-free, the strategic planning approach presented here is a promising model on which to build such an integrated vision for the whole metropolitan area, joining together as it does the different dimensions of urban sustainable development. It offers an opportunity to plan and decide collaboratively across the many territories that are involved, preserving a participatory approach that includes local stakeholders and civil society. Citizens and their effective participation can ultimately help overcome the asymmetric distribution of power inherent in the policy-making arena and the productive ecosystem of metropolitan areas.

5.2
THE PARADOX OF THE METROPOLITAN STRUGGLE FOR COMPETITIVENESS

A pattern of winners and losers tends to emerge within metropolitan areas

Whether they are recognized as 'engines of growth', 'expressions of globalization processes', or 'archipelago economies', most metropolitan areas will continue to function as drivers of national and even international economies. Section 3 analyzes the positive and negative externalities of metropolitan areas – involved as many are in a global competition to attract business and investors – and highlights the tensions that this competitive framework creates.

On the positive side, metropolitan areas provide critical advantages and externalities to the local and national economies in which they are embedded. Their role has been central to the economic transformation of many emerging and developing countries in recent decades. The report introduces several of the strategies that metropolitan areas have developed to boost their economic development and also highlights how these strategies would not be feasible without a distributed system of leadership and power-sharing, partnership and coalition-building. This often leads to new institutional arrangements (development agencies, advisory bodies and diverse alliances) able to marshal economic sectors, different levels of government and civil society behind the same shared goals.

The question the report raises is how to ensure and regulate the participation of private and financial sectors in a transparent and accountable manner to strengthen metropolitan governance, without weakening democratic institutions. Section 3, specifically, argues that strong and visionary local leaders can manage this delicate equilibrium and improve cities' room for manoeuvre. In any case, local democracy should be at the centre of any metropolitan development policies.

With regard to those negative externalities linked to the 'imperative of competitiveness' and fuelled by the financialization of urban economies, the report highlights the risks and realities of increasing inequalities, the fragmentation of urban space, and social exclusion. A pattern of winners and losers tends to emerge within metropolitan areas, due to phenomena of gentrification and marginalization that affect the most socially fragile communities. This can lead to the emergence of a 'two-speed' city that excludes whole portions of the urbanized space with, on the one hand, prosperous areas characterized by the demand for highly qualified workforce and, on the other hand, areas with disadvantaged population badly affected by increasing unemployment and poverty.

Similarly, in the metropolises of the Global South, informal neighbourhoods and economic activities struggle to cope with the devastating effects of competition for land use. Certain negative externalities can even counterbalance the positive effects mentioned above, consuming resources and intensifying imbalances between territories at the expense of the rest of the country.

One of the biggest challenges for metropolitan areas, as argued at the end of Section 3, is how to **combine 'attractiveness' strategies with an agenda that preserves inclusiveness and sustainability**. It is argued that the latter are neither optional nor secondary to the pursuit of economic growth and efficiency. There is in fact growing international evidence of a relation between high levels of metropolitan inequality, congestion and pollution and lower economic growth rates because of their effects on social cohesion, insecurity, health and the environment, and the ability to attract investment and withstand external shocks.

Accordingly, a combination of strategies to engage metropolitan areas in a territorial dynamic of solidarity and an inclusive and

sustainable pattern of development should comprise: i) urban policies that shape urban systems as a whole (be it at the national or the regional level); and ii) metropolitan policies and actions supported by more localized, targeted urban projects adapted to the needs of local communities.

As regards the first dimension, in particular, national governments need **to redefine national urban policies (NUPs)** to shape inclusive and collaborative urban systems. They should strengthen the interconnections between metropolitan areas, intermediary cities and territories, as well as foster a more balanced **polycentric development approach**. This would maximize positive economic effects and diffuse the advantages of metropolitan growth throughout the territory. Metropolitan areas should not develop in competition with, or detached from, their surrounding territories. On the contrary, their development should be in solidarity with them, both at the national and the regional level – with clear channels of cross-border cooperation.

At the metropolitan level, policies should facilitate the access of citizens to the urban region's economic resources, while preserving economic efficiency, social equity and environmental sustainability. This can be made possible by:

- **taking advantage of the ongoing transformations of the global economy, in order to support a model of open innovation and place-based factors and foster improved job creation and economic opportunities**. Local governments need to participate in the development and regulation of such socio-economic dynamics through an integrated management of metropolitan economic strategies and assets. This can foster human capacities, promote collaborative and social economy, and support the progressive transition of informal economic activities towards formal ones;
- **imagining an 'open' and inclusive urbanism**, as opposed to a fragmented or 'splintered' one characterized by the privatization of urban spaces and gated communities. An open urbanism should aim to reduce the socio-economic negative externalities of 'urbanism by projects' (the approach based on urban renovation projects with exclusionary purposes), and promote a 'multipolar' or 'polycentric' city, limiting the social consequences of land and property competition;
- **facilitating universal access to basic services and urban mobility**, to ensure equitable access and interconnectedness for all metropolitan inhabitants, including its peripheral zones, and to develop housing policies and market regulations that can ensure access to land and decent housing;
- **promoting effective financing models to counterbalance the financialization and commodification of urban economies, as well as the volatility of the land market**. This should be accompanied by a **well-balanced tax system** which ensures that the fiscal burden is fairly distributed, and **metropolitan equalization funds** to ensure a just distribution of investments and resources within the whole metropolitan area.

These strategies should be complemented by environmentally sustainable policies as integral parts of metropolitan strategies to promote cities that are sustainable, accessible and inclusive.

Photo: UCLG - Jeepnee Taxi, Manila (Philippines).

5.3
SUSTAINABLE AND RESILIENT METROPOLITAN AREAS CAN LEAD THE TRANSITION TOWARDS LOW-CARBON CITIES

Sustainability has become a cornerstone of metropolitan policies. Section 4 of this chapter shows how metropolitan cities – both individually and through their participation in global networks (e.g. the Global Covenant of Mayors for Climate and Energy) – are leading climate change mitigation and adaptation initiatives, without waiting for or depending on the initiative and agendas of national governments. From 'climate plans' to a diversity of sectoral policies, cities all around the world are contributing, at different scales, to the achievement of these goals. Cities have also been active in advocating a sustainable lifestyle for their citizens and reducing their own urban GHG emissions. **Some metropolises** – such as Stockholm or Copenhagen – **have shown that it is possible to make economic growth and de-carbonization policies compatible**.

Some metropolises have shown that it is possible to make economic growth and de-carbonization policies compatible

With regard to sectoral policies, Section 4 advances a number of examples in the different areas of urban mobility, energy, public and green spaces, waste management and the circular economy, food security and urban agriculture. Although the mainstreaming of these actions is still generally limited, their potential has been clearly shown. Committed local governments nonetheless face a number of obstacles. Funding, institutional settings, regulations and legislation, technology, information, knowledge, and political commitment have all to a greater or lesser degree represented a constraint to this kind of initiatives. These challenges, ultimately, cannot be addressed unilaterally by cities. Evidence shows that all levels of governments, the private sector and civil society need a stronger collaboration framework for the goals of these initiatives to be achieved.

In line with the principles of compact cities and 'smart growth' to reduce urban sprawl and prioritize the environment, the report questions the adequacy of certain densification policies – particularly in terms of their social impact. The report recognizes the advantages of compact cities but acknowledges that, without adequately defining its goals and features, densification policies could lead to gentrification processes, land and property speculation, and the relegation of the most vulnerable groups and communities to peripheral, under-served areas.

Moreover, in light of the increasing exposure of metropolitan areas to catastrophic natural disasters – and other compelling factors such as security and safety, urban violence, and disease outbreaks – resilience has become a key policy principle for building sustainable metropolises. Although a number of networks have been developed over the last few years to engage local authorities, the report stresses the need for a more proactive role from local governments to catalyze those innovations that are essential for effective resilience policies at the metropolitan level. The underlying risks of not having resilience frameworks are particularly acute and visible in Sub-Saharan Africa and Southern and Eastern Asia, regions which will host a large share of the urban population growth expected in the near future.

Finally, Section 4 proposes a conceptual shift towards the idea of sustainable development being inextricably linked to both social and environmental justice as well as to the 'Right to the City' concept, to ensure that social sustainability, human rights and democracy lie at the heart of the urban development debate.

5.4
A PARADIGM SHIFT IN OUR UNDERSTANDING OF SUSTAINABILITY: TOWARDS THE 'RIGHT TO THE CITY'

Social sustainability should be central to any public policies and linked to a rights-centred approach. Section 4 examines four key rights: to land, housing, basic services, and culture. These rights are recognized and codified in several documents endorsed by the international community.

The report highlights the critical situation that metropolitan areas and cities in general will face in the provision of housing and basic services, if current trends and growth figures continue. Without a strong policy shift, by

2030 around 2 billion people - two out of five of them urban dwellers - could be living in slums or other informal settlements with limited or no access to basic services. This does not include figures of those likely to be living in deprived or marginalized neighbourhoods in developed countries.

As this report highlights, there is evidence of this problem in the form of land and housing policies enacted in most contexts over the last few decades. These have led to a structural shortage of affordable land and housing. The report's analysis also underlines that, while global funds dedicated to sustainable housing have been insufficient (making the achievement of Goal 11.1 of the SDGs unlikely), throughout the 2000s housing has become a global and often opaque financial instrument (as the subprime crisis in the United States eloquently showed) at the expense of middle and low-income households, with the number of people living in informal settlements in developing countries steadily rising.

Section 4 also gives examples of pro-poor housing policies that have produced positive outcomes, mostly through the strong involvement of beneficiary communities in both their definition and co-production – as well as other examples which have had mixed results, often due to biased approaches that have made integration more difficult (insufficiently equipped housing isolated from jobs or services, systematic spatial concentration of poorer groups, etc.).

The report highlights how robust policies to facilitate access to land and housing – the cornerstones of the 'Right to the City' – must include more control over land use and real-estate regulation by local governments. This can help reduce speculation and contain market forces. For land use, especially in developing countries, this implies the recognition of different forms of tenure, and combatting discrimination, in particular towards women, indigenous communities, and other minorities. For slums and informal settlements, policy control involves avoidance of forced eviction and the recognition of informal settlements as a legitimate urban form. This means acknowledging the potential of self-built housing, promoting informal settlements' formalization and integration into the urban fabric, and gaining the support of municipal management systems thereof. For housing, the implementation of strong public policies, social housing programmes and innovative civil society initiatives for the co-production of housing, should become a

By 2030 around 2 billion people could be living in slums or other informal settlements with limited or no access to basic services

Photo: Tuana Neves - Porto Alegre (Brazil).

priority. All urban projects (both renovation and urban extensions) should include a percentage of social housing in their plans to support social mixing.

As regards access to basic services, the report proposes the re-evaluation of governance systems, as well as current and potential new models of management and financing of services. The report suggests promoting a metropolitan structure or mechanism to ensure that both the management and delivery of public services are performed in a coordinated manner. This mechanism should also support the progressive equalization or balancing out of both loss-making and profitable services – without necessarily resorting to a unified service provision which could reduce efficiency and the focus on local needs. The report also looks at ways to strike a balance between service inclusion and financial sustainability, in particular in low and middle-income countries. Besides traditional solutions of price differentiation and cross-subsidization, it recommends a minimum level of free and guaranteed consumption for poorer households (a measure that has substantially increased access to services in South Africa over the past 15 years), or at least some protection against total service disconnection for vulnerable groups. Other options, such as direct subsidies to the poorest households or support for network access, should also be taken into consideration.

The report also analyzes the trend, over the last few decades, of outsourcing service provision to improve delivery. It highlights the fact that the bulk of private sector investment has been concentrated in developed and emerging countries and, in particular, in the most profitable sectors (e.g. communication, transport), but that its impact in low-income countries has been limited at best. In this regard, local governments should be empowered to develop different types of partnerships for the provision of basic services, including recent, ground-breaking approaches such as Public-Private-People Partnerships (PPPPs). Local governments have an opportunity to empower small private enterprises, the informal sector and community initiatives in the delivery of basic

Photo: Lars Plougmann - Dubai (United Arab Emirates).

services, even more so where official service providers are ineffective or altogether absent.

Even though these alternatives to conventional service provision are, more often than not, either unreported or untaxed, they are generally easier to implement, more flexible and more responsive to the communities' needs. **The role of local governments in regulating and overseeing alternative service provision is crucial, since they have a significant impact on human and environmental safety**. A similar approach should be taken to support new forms of decentralized service production (i.e. 'off-grid' activities) in certain fields, for example renewable energy. Although mostly available in developed countries, this can disrupt the conventional economic model of universally networked infrastructures.

When calling for the revision of the management model for basic service provision in metropolitan areas – especially in low-income countries, and even more so in informal urban settlements – the report highlights the need for viable alternatives that include a range of socio-technical accessibility systems and involve all actors in both institutional and informal structures. Many of these key elements are still informal in the way they function and are developed, and this must be taken into account when planning their integration into economic strategies and more institutionalized schemes of service provision.

Finally, Section 4 stresses the inherent connection between the role of culture and other dimensions of urban and metropolitan sustainability, recognizing it as an integral part of citizens' rights. Metropolitan policies should facilitate access to cultural assets, promote and democratize the different cultural practices and traditions that nourish the diversity of a metropolitan area, and protect tangible and intangible heritage and the involvement of citizens in the definition and governance of cultural policies.

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Cumulative tensions built up in the race for competitiveness, environmental challenges, and increased inequality experienced by metropolitan areas have all prompted the search for alternative approaches to, and models of, production and consumption. This has in turn led to a quest for a set of different socio-economic priorities and a more inclusive relationship among local governments, between local governments and their communities, between metropolitan areas and other cities, as well as between cities and their surrounding environment. At the heart of this challenge is the need for people, and the respect for fundamental human rights, to be central to the agenda, together with the valorization of solidarity rather than competitiveness.

In the context of growing difficulties for central governments to preserve their welfare systems, the notion of local governments – and metropolitan governments in particular – as key actors in the 'regulation' of an urbanized society is attractive, particularly given their growing responsibilities for the social, economic, environmental and cultural dimensions of urban life.

In a short space of time, a number of different, concurrent approaches have developed: people-centred positions in the development agendas (e.g. the SDGs at the global level); a stronger focus on rights and quality of life at the city level (for example the Charter of Medellín);[408] the adoption of the 'Right to the City' principles in many Brazilian cities or in the Constitution of Mexico City; the development of 'principles for better cities' embodied in Metropolis' 'Prepcity' initiatives;[409] or the Declaration of Canoas, issued by the Forum of Peripheral Cities.

These approaches have fed the demand for a 'Right to the City',[410] a claim for a collective space where residents can directly participate in the co-creation of the city they aspire to be part of. The term has become a touchstone for social movements, NGOs and government officials to articulate numerous demands and hopes for urban settlements to be more inclusive, harmonious and united. The 'Right to the City' approach offers a comprehensive framework to integrate recognized social rights for all urban inhabitants with the different expectations and goals set by the SDGs and the New Urban Agenda. Supported by a deeper local democracy and a stronger involvement of citizens in the co-production of the city, the 'Right to the City' can become the foundation of a 'new social contract' for more sustainable, inclusive and safer cities.

The role of local governments in regulating and overseeing alternative service provision is crucial, since they have a significant impact on human and environmental safety

5.5
KEY MESSAGES

ESTABLISH NEW GOVERNANCE MODELS TO DEAL WITH THE INCREASING COMPLEXITY OF METROPOLITAN AREAS. Expanding metropolitan forms – megacities, urban regions and urban corridors – require new governance systems that address the whole urban functional area. This is essential to overcome institutional, social and spatial fragmentation and support prosperous, inclusive, polycentric, balanced and sustainable metropolitan areas. In many cases this will require incremental steps, tackling the most critical deficits first (e.g. transportation systems) on the path to more systematic institutional and collaborative arrangements.

BASE METROPOLITAN GOVERNANCE ON DEMOCRACY, TRANSPARENCY AND COLLABORATION. Although there is no 'one-size-fits-all' governance model, experience suggests that legal reforms should build on the involvement and commitment of all cities forming part of a metropolitan area, on close collaboration across levels of government and the strong involvement of civil society in decision-making. A fair metropolitan governance system should encourage polycentric and balanced development, based on the following principles: local democracy, with elected local and metropolitan authorities accountable and transparent to an active and demanding civil society that enjoys recognized spaces in which to participate regularly; subsidiarity and effectiveness, with a clear definition of roles and powers across different levels of government and between different local governments; and efficiency, to ensure the rational and sustainable management of resources.

GIVE METROPOLITAN AREAS ADEQUATE POWERS AND RESOURCES. Metropolitan and local governments need the powers and capabilities to mobilize local resources more effectively, including a fair and well-balanced tax system to capture more of the wealth created, including economic and property added-value. They should also benefit from transfers from other levels of government to deal with externalities. Such reforms will improve local governments' creditworthiness to access national and international financing, both public and private, and promote investment in major infrastructure and services development (including funds for climate change action) – cornerstones of their attractiveness. Specific metropolitan funds for equalization, fed by local taxes and transfers from municipalities and other levels of government, could serve as levers to mobilize investments and boost solidarity between the different parts of metropolitan areas.

DEVELOP COMPREHENSIVE ECONOMIC STRATEGIES IN METROPOLITAN AREAS TO DRIVE THE NATIONAL ECONOMY AND CREATE OPPORTUNITIES FOR ALL. Prosperous and attractive metropolitan areas depend on a strong cooperation framework with other levels of government, the business sector and civil society. This allows local governments to benefit from the ongoing transformation of the global economy, to innovate and promote metropolitan economic development while ensuring social inclusion. A deeper rethink of financing strategies is also needed to reconcile financial imperatives with sustainable development, and to ensure that the management of public goods and public assets is conducive to long-term investment and reduces speculation and socio-spatial segregation. When designing a socially responsible framework for economic development, metropolitan areas should incorporate the concept of the 'civic economy', support the collaborative, social and circular economies, create decent jobs – and more opportunities for women and younger people – and, in developing countries, support the transition from informal to formal economy.

USE VISION-LED STRATEGIC PLANNING TO SUPPORT INCLUSIVE URBANISM. Metropolitan areas should strengthen their capacity to develop integrated and participatory strategic plans that link together the different dimensions of urban sustainable development (spatial, economic, social, environmental and cultural). Long-term strategic plans should be accompanied by flexible and dynamic urban planning that better adapts to an ever-changing socio-economic environment. This can help metropolitan areas manage sprawl and avoid further socio-spatial inequalities. It also requires strengthened capacities to manage land use and regulate real-estate markets in order to tackle speculation. Inclusive urban planning should pursue compactness, multi-functionality and socially-mixed neighbourhoods with a good quality of life, the idea of togetherness or 'living together', closer distances and improved public transport, accessible and safer public spaces, fairer access to basic services and infrastructures, and cultural amenities for all. In developing countries, informal settlements must be recognized and integrated into the urban fabric, with adequate policies for land tenure recognition and slum upgrading.

ENSURE QUALITY INFRASTRUCTURE AND SERVICES THAT ARE RESILIENT AND ACCESSIBLE TO ALL. Universal access to quality public transportation and basic services (water, sanitation, energy, solid waste management, telecommunications, etc.), in addition to policies for housing improvement and the eradication of sub-standard housing (avoiding forced eviction), is not just an issue of urban efficiency but also one of equity and human rights protection. Inclusive and supportive housing policies should consider the public supply of affordable land for housing across the whole territory (to avoid social segmentation), massive public financing for social housing, the promotion of a wide range of alternative housing options (including rental, cooperatives such as community land trusts and co-production). To better meet local needs and priorities, metropolitan and local governments must develop the skills to transparently choose the most suitable service management models (public, PPP, PPPP, etc.) in consultation with their citizens and guaranteeing universal access. They must improve the efficiency and effectiveness of services (both when managed by the public sector or entrusted to private providers), strengthening their monitoring and evaluation capacities and establishing regulating or organizing authorities for urban services. In less developed countries, joint basic service provision with communities, together with support and regulation of smaller providers – particularly in the informal sector – should foster coordination between official operators in order to limit gaps in provision.

LEAD THE TRANSITION TO SUSTAINABLE AND MORE RESILIENT SOCIETIES WITH GREENER AND SMARTER METROPOLITAN AREAS. To reduce their environmental footprint, local authorities should promote low-carbon urban infrastructures and services, and green areas, and invest in resilient infrastructures and smart technologies. They should be active parties in energy transition as well as in climate change mitigation and adaptation. They should foster progress in the reduction of pollutants (air, soil and water), the use of alternative sources of energy, and the management of natural resources – e.g. by promoting public transport, efficient public buildings, better wastewater and waste management and recycling. At the same time, they should adopt plans and adapt infrastructures to cope with the increasing impact of natural disasters, taking into account the fact that poor communities are inevitably the most exposed to natural catastrophes.

PROMOTE 'TERRITORIAL SOLIDARITY' BETWEEN METROPOLITAN AREAS, INTERMEDIARY CITIES AND THEIR HINTERLANDS. A strengthened collaboration between metropolitan areas, intermediary cities and rural areas located in their hinterlands can encourage stronger developmental synergies, relieve urbanization pressures and reduce environmental impacts. An integrated regional approach should foster access to services and facilities for peri-urban and rural zones. It should also improve local economic opportunities (e.g. food security, shorter economic circuits to strengthen local economies), and protect the area's natural resources, contributing significantly to metropolitan resilience.

PUT THE 'RIGHT TO THE CITY' FOR ALL AT THE HEART OF URBAN POLICIES IN ORDER TO RENEW THE SOCIAL CONTRACT AND STRENGTHEN METROPOLITAN CITIZENSHIP. The 'Right to the City' approach combines the need for an advanced metropolitan democracy (participatory and with civil society's right to self-organize) with the recognition of essential rights – such as the right to water and sanitation, safe and nutritious food, adequate shelter and secure tenure for all, gender equality, child protection, accessible public services, adequate social protection, respect for immigrants and refugees, safe communities and freedom of conscience and religion. This approach emphasizes the preservation of the cultural and natural legacies of current and future generations. It provides an integrated model that promotes stronger partnerships for the co-production of the city, building a new 'metropolitan citizenship' (see the Global Charter-Agenda for Human Rights in the City).

RECOGNIZE CULTURE (INCLUDING HERITAGE, DIVERSITY AND CREATIVITY) AS A PILLAR OF FLOURISHING METROPOLITAN AREAS. Local governments should acknowledge and promote citizens' creativity while respecting the diversity of their identities. Agenda 21 for Culture demonstrates how local culture is key to promoting sustainable development and creating a common cause within metropolises which are often characterized by high levels of diversity, including minorities and immigrants. Cultural diversity must be at the heart of metropolitan strategies for social cohesion and local development. Cultural heritage must be preserved in urban planning by benefitting from, and partnering with, local communities. All citizens have the right to culture (see the Culture 21 Actions toolkit).

ACTIVELY ENGAGE ON THE GLOBAL STAGE, AND COOPERATE AND PROMOTE KNOWLEDGE-SHARING AMONG METROPOLITAN GOVERNMENTS. To reinforce innovation, improve management capacities and facilitate the exchange of new technologies, metropolitan and local authorities must develop appropriate knowledge-sharing and peer-to-peer learning capacities, cooperating to build programmes and tools to manage urban development. To face global challenges and participate in the preservation of the global commons, metropolitan and peripheral cities' networks are critical for building international advocacy for cities and facilitating the implementation and monitoring of the New Urban Agenda, the Sustainable Development Goals (SDGs), the Sendai Framework for Disaster Risk Reduction, the COP agreements on climate change and the Addis Ababa Action Agenda on Financing for Development.

NOTES

1 Clos, *Towards a New Urban Agenda,* 5; Burdett, Rode, and Shankar, *Governing Urban Futures.*
2 Parilla, Leal Trujillo, and Berube, *Global Metro Monitor 2014. An Uncertain Recovery.*
3 UN-DESA, *World Urbanization Prospects: The 2014 Revision.* UN-DESA most recent statistics for 2016 calculate 512 metropolises.
4 UN-DESA (Ibid.) counts 29 megacities, or 30 if Seoul and Incheon are considered together. The count rises to 35 megacities when including metropolitan areas that have probably surpassed the10 million threshold over the last year: Lima (Peru), Chennai (India), Bogotá (Colombia), Johannesburg (South Africa), and Bangkok (Thailand). City Population, on the other hand, counts 34 megacities.
5 Sustainable Development Solutions Network, *Why the World Needs an Urban Sustainable Development Goal*; Cochrane, McGee, and Zandi, *Global Metropolitan Areas; UNEP-IRP, Options for Decoupling Economic Growth from Water Use and Water Pollution.*
6 UN-DESA, *World Urbanization Prospects: The 2014 Revision.*
7 Clark, Couturier, and Moonen, *Globalisation and Competition.*
8 OECD, *The Metropolitan Century.*
9 Gamper, Ahrend, and Schumann, *The OECD Metropolitan Governance Survey.*
10 UN-Habitat, S*tate of the World's Cities 2012-2013.*
11 Linden and Verbeek, *The Challenge of Metropolitan Governance in the Face of Rapid Urbanization.*
12 LSE Cities, UN-Habitat, and UCLG, *How Cities Are Governed - Building a Global Database for Current Models of Urban Governance.*
13 Clark and Moonen, *The Role of Metropolitan Areas in the Global Agenda of Local and Regional Governments in the 21st Century.*
14 Kantor and Nelles, *Global City Region Governance and Multicentered Development.*
15 Clark, Moir, and Moonen, *Underpowered Cities.*
16 All information about the Metropolis network is available at this address: http://www.metropolis.org/.
17 More information on the latest PrepCity meeting is available online: http://www.metropolis.org/news/2016/05/05/2758 and particularly the *Final Prepcity Report.*
18 Habitat III Thematic Meeting, 'Fostering Metropolitan Cooperation for Sustainable Urban Development' – *The Montréal Declaration on Metropolitan Areas*, 7 October 2015, http*s*://www.habitat3.org/file/511152/view/557811.
19 OECD, *Cities for Citizens.*
20 Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines.*
21 Federal Law 13.089, known as *Metropolis Statute,* establishes requirements for the formalization of metropolitan regions – including the obligation to formulate an integrated urban development plan (PDUI) - without clearly defining the functional criteria for the identification of metropolitan areas. All metropolitan areas have to approve their PDUIs within three years of the enactment of the Federal Law. See also Campanaro, Klink, and Freire, *Metropolitan Governance in Brazil : Inputs for an Agenda and Strategy;* Compans, *Metropolitan Ungovernability.*
22 OECD, *Revitalizing Chile's Urban Governance Architecture.*
23 OECD, *The Metropolitan Century.*
24 The OECD Metropolitan Governance Survey covers 263 OECD metropolitan areas above 0.5 million inhabitants. There are four main types: informal/soft coordination (52%); inter-municipal authorities (24%); supra-municipal authorities (16%); special status of 'metropolitan cities' (8%). A 2015 UN-Habitat and GIZ GmbH Discussion Paper (*Unpacking Metropolitan Governance for Sustainable Development*) also refers to four models: metropolitan/regional government; bottom-up metropolitan/regional authority; consolidated/amalgamated government; and fragmented governance with some local government coordination.
25 As a caveat, it should be pointed out that some cities, while belonging to this model of organization, are not formally designated as 'special' metropolitan or federal cities. They remain conventional citywide governments that encompass, nonetheless, the functions of the whole metropolitan area.
26 Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines.*
27 Poiret, *La gouvernance métropolitaine écartelée entre adaptation économique et spatiale à la globalisation et respect de la démocratie locale, l'exemple de la fusion de Toronto (Canada)*, 509; Fox and Gurley, *Will Consolidation Improve Sub-National Governments?*
28 Slack and Côté, *Comparative Urban Governance*; Town, *Project Auckland.* One variant of this pattern is the model of 'special-purpose agencies'. Some metropolitan areas rely on 'special-purpose vehicles' to manage key infrastructure functions, regeneration and reinvestment more effectively (e.g. 'special districts' in the United States provide shared services across municipal or county boundaries).
29 Abbott, *Collaborative Governance and Metropolitan Planning in South-East Queensland 1990-2010.*
30 Kirkland, *Paris's Future Governance – An Interview with Pierre Mansat.* It incorporates the three neighbouring departments and a total of 126 municipalities, covering the core of the Île-de-France metropolitan region's central agglomeration.
31 See Métropole du Grand Paris, online at http://www.metropolegrandparis.fr/. See also Île de France, Schéma Directeur de la Région.
32 Slack and Côté, *Comparative Urban Governance.*
33 This model offers strong and efficient capacity to coordinate the management of spatial and economic growth, but limits the capacity and budgetary resources of local governments. Leal Maldonado, *Metropolitan Government and Development Strategies in Madrid.*
34 Andersson, *Metropolitan Governance and Finance;* African Development Bank Group, *AfDB Approves USD 141.71 Million for the Dar Es Salaam Bus Rapid Transit System Project.*
35 Slack and Côté, *Comparative Urban Governance.*
36 OECD, *Governing the City.*
37 Salet and Savini, *The Political Governance of Urban Peripheries.*
38 Gjertsen, *Legitimacy in Interlocal Partnerships.*
39 Trent, The *Merger Delusion.*
40 Centre for Human Settlements, Mo*ntréal: Amalgamation to Consortiation.*
41 Boudreau, *Penser La Ville-Région.*
42 Halais, *In the Montréal Area, 82 Municipalities Begin to Think and Act as One.*
43 UCLG and Global Taskforce of Local and Regional Governments, *Financing Urban and Local Development: The Missing Link in Sustainable Development Finance, 3;* Dollery, Kortt, and Grant, *A Normative Model for Local Government De-Amalgamation in Australia;* François Vaillancourt, *Public Finance in Montréal.*
44 Pfeiffer and Krakau, *Urban Development and Metropolitan Governance;* UN-Habitat, *State of the World's Cities 2008/2009 – Harmonious Cities.*
45 Meite, *Gouvernance du transport urbain et mobilité durable dans le district d'Abidjan (Côte d'Ivoire).*
46 Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines.*
47 Sylvie Ritmanic, *A la recherche de la métropole solidaire. Contribution pour Habitat III*, intervention recollected Ibid.
48 Vanier, *La Métropolisation Ou La Fin Annoncée Des Territoires?*

[49] More information at these addresses: https://www.uclg.org/en/organisation/structure/committees-working-groups/pe ripheral-cities and http://falp.nanterre.net/.
[50] For more information, visit http://www.reseaufalp.com.
[51] The Declaration is available at the following address: http://www.uclg-cisdp.org/sites/default/files/Carta%20Canoas%20ENG.pdf.
[52] Bhatkal, Avis, and Nicolai, *Towards a Better Life?*
[53] UN-Habitat, *Financing Sustainable Urban Development.*
[54] Muwonge and Ebel, *Intergovernmental Finances in a Decentralised World;* Farvacque-Vitković, and Kopanyi, *Municipal Finances, 1.*
[55] Égert and Blöchliger, *Decentralisation and Economic Growth - Part 2.*
[56] Bahl, Linn, and Wetzel, *Governing and Financing Metropolitan Areas in the Developing World, 6.*
[57] In India, for example, the states of Rajasthan and Haryana abolished property taxes without consultation with local governments and without providing alternative revenue sources. See Rao and Bird, *Urban Governance and Finance in India.*
[58] Muwonge and Ebel, *Intergovernmental Finances in a Decentralised World, 5;* Farvacque-Vitković and Kopanyi, *Municipal Finances.*
[59] Zimmermann, *Net Fiscal Flows and the Size of Cities;* City of London Corporation, *Economic Development Research Programme. Review of 2014'.*
[60] Wong and Jiang, *Billion-Dollar Dividend Plan to Help Pay for Third Runway at Hong Kong Airport.*
[61] For more information, see: http://www.worldbank.org/en/news/feature/2013/10/24/financing-sustainable-cities-africa-creditworthy (acceded 31 May 2016).
[62] See on this topic Paice, *'Lagos Proves Africa's Property Tax Potential'*; de Gramont, *'Governing Lagos'.*
[63] Bahl, Linn, and Wetzel, *Governing and Financing Metropolitan Areas in the Developing World.*
[64] Ibid., 15.
[65] Bahl, Linn, and Wetzel, *Financing Metropolitan Governments in Developing Countries.*
[66] Note that this is, however, hardly applicable in contexts of low political and fiscal autonomy where equalization mechanisms are generally implemented by the state through additional transfers to less endowed municipalities.
[67] Hamilton, *Governing Metropolitan Areas.*
[68] OECD, *OECD Urban Policy Reviews, Poland 2011.*
[69] Kwon, *The Impact of the Shared Property Tax System on the Localities' Fiscal Capacity.*
[70] Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines.* Extract from an interview with Trevor Fowler, CEO of the City of Johannesburg, conducted by Cyprien Butin.
[71] 'In the past sound land value capture mechanisms in developed countries have been largely distorted by the explosive capacity of the banking system to create money in search of speculative profits driven by restrictions in land availability or poor land regulatory decisions. (...) An acceleration of the financialization of urban economic development underpinned by land value capture processes introduces – in the last instance – a serious threat to sustainable development by misallocating scarce productive factors and resources'. Eugenio Leanza, in Gorelick, *Funding Capital-Intensive Urban Projects.*
[72] Allen, *Development Securities Lands TfL Housing Deal.*
[73] Lorrain, *Governing Shangai: Modernising a Local State.*
[74] Jomo et al., *Public-Private Partnerships and the 2030 Agenda for Sustainable Development: Fit for Purpose?*
[75] Ibid.; UCLG, *Basic Services for All in an Urbanizing World.*
[76] FMDV, *Resolutions Europe. Local Innovations to Finance Cities and Regions.*
[77] Gorelick, *Funding Capital-Intensive Urban Projects.*
[78] Compans, *Metropolitan Ungovernability;* Aulich, Sansom, and McKinlay, *A Fresh Look at Municipal Consolidation in Australia.*
[79] Slack and Côté, *Comparative Urban Governance, 17.*
[80] Savini, Majoor, and Salet, *Urban Peripheries.*
[81] Métro, 'Avant-Propos : Paris 2013, Manifeste Rétroactif Pour La Construction Métropolitaine'.
[82] Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines.*
[83] For more information, see: http://transparencia.amb.cat/home.
[84] Most of this sub-section is based on Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines.*
[85] Rui, 'Démocratie Participative'.
[86] More information available online at this address: http://www.oidp.net/.
[87] Bacqué, Rey, and Sintomer, *Gestion de Proximité et Démocratie Participative*; Blondiaux, *La délibération, norme de l'action publique contemporaine?*
[88] UN-Habitat, *Gender Responsive Urban Legislation, Land and Governance.*
[89] UN-Habitat, *E-Governance and Urban Policy Design in Developing Countries.*
[90] MIT Center for Civic Media, available online at this address: https://civic.mit.edu.
[91] Frost & Sullivan, 'Strategic Opportunity Analysis of the Global Smart City Market'.
[92] Govela, *City Changer Labs and Digital Civics.*
[93] More information available on the website of the Programme: http://senseable.mit.edu.
[94] More information available on the website of the initiative: http://citilab.eu/citilab/que-es.
[95] More information available on the company's website: http://www.22barcelona.com/content/view/698/897/lang,en/.
[96] General information on the programme is available on their website: http://www.africancentreforcities.net/programme/m istra-urban-futures/citylab/.
[97] Healthy Cities CityLab: http://www.africancentreforcities.net/programme/mistra-urban-futures/citylab/healthy-cities-2/.
[98] Urban Violence, Safety and Governance CityLab: http://www.africancentreforcities.net/programme/mistra-urban-futures/citylab/urban-violence-safety-governance/.
[99] Sustainable Human Settlements CityLab: http://www.africancentreforcities.net/programme/mistra-urban-futures/cityl ab/sustainable-human-settlements/.
[100] The platform English portal is available at this address: http://labcd.mx/labforthecity/.
[101] The open-government platform is available at this address: http://www.gobabiertocdmx.org/. Buenos Aires has developed a similar programme, *Gobierno Abierto,* to foster participation, data collection and use in inclusive, bottom-up policy planning: http://www.buenosaires.gob.ar/innovacion/gobiernoabierto.
[102] More information on this specific type of action is available at this address: http://labcd.mx/provocaciones/.
[103] Bacqué, Rey, and Sintomer, *Gestion de Proximité et Démocratie Participative.*
[104] More information available in http://www.facebook.com/digitalcivix/.
[105] Zérah, *Participatory Governance in Urban Management and the Shifting Geometry of Power in Mumbai.*
[106] Ghertner, *Gentrifying the State, Gentrifying Participation.*

[107] Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines*.
[108] Ibid.; Lama-Rewal, *La démocratie locale dans les métropoles indiennes*.
[109] Cabannes, *Les budgets participatifs en Amérique latine*.
[110] Nez, *Le budget participatif: un outil de justice sociale?*. Participatory budgets have typically helped redistribute public resources to those sectors in most urgent need (e.g. schools, sewage treatment, road paving), or into investments that governments had not initially considered a priority.
[111] Langelier, *Que reste-t-il de l'expérience pionnière de Porto Alegre?*
[112] Information facilitated by Deise Martins, Secretary of International Relations and Cooperation of the City of Canoas. See also Allegretti et al., *More Inclusive Cities and Territories*.
[113] Ibid. The Gabinete Digital in Rio Grande do Sul, for instance, engaged more than 1 million people every year between 2011-2014. The New York City participatory budgeting activities have organized multiple district meetings.
[114] More information on the Voice of the Mayors programme, the Seoul case, and the activities of Metropolis are available online: http://www.metropolis.org/voice-mayors.
[115] Allegretti et al., *More Inclusive Cities and Territories*. Ethekwini (Durban) and Johannesburg, for instance, apply the experience of many other cities to their citizen consultations for integrated development plans. See also Cabannes, *Les budgets participatifs en Amérique latine*; Stoeber, *Une Révolution Douce*.
[116] Allegretti et al., 'More Inclusive Cities and Territories'; EIP-SCC, 'Principles and Enablers for Citizen Engagement'.
[117] Most of this sub-section is based on Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines*.
[118] Bacqué and Mechmache, *Pour une réforme radicale de la politique de la ville*. About 30 'tables' are now reunited in the 'Montréal's Coalition of Neighbourhood Tables', and are recognized and financially supported by the city of Montréal, the *Fondation Centraide du Grand Montréal*, and the Public Health Office of Montréal's Agency for Healthcare and Social Services. See also: Initiative Montréalaise de Soutien au Développement Social Local, *Des quartiers où il fait bon vivre!*
[119] More information available online at: blog.shadowministryofhousing.org/.
[120] Cités, Territoires, Gouvernance, *Populaire, Précaire?*
[121] More information available online at: http://www.joziatwork.org.za/about/.
[122] Satterthwaite and Mitlin, *Reducing Urban Poverty in the Global South*.
[123] Smith et al., *The Missing Link: Immigrant Integration, Innovation and Skills Underutilization in Vancouver;* Bradford and Bramwell, *Governing Urban Economies,* 263.
[124] More information available on the following websites: http://www.uclg-cisdp.org/sites/default/files/London_2010_en_final_0.pdf; https://www.london.gov.uk/what-we-do/communities/access-and-equality; and https://www.london.gov.uk/WHAT-WE-DO/communities.
[125] Maytree Foundation and Cities of Migration, *Good Ideas from Successful Cities*.
[126] More information available online: http://urbanagendaforthe.eu/wp-content/uploads/2016/04/Eurocities-Refugees-Report.pdf.
[127] UN-Habitat, *Issue Paper on Local Economic Development,* 12.
[128] Salat, *Integrated Sustainable Urban Planning*.
[129] Ministry of Lands, Housing and Human Settlements Development, *Dar Es Salaam Masterplan, 2012-2032*.
[130] Salat, *Integrated Sustainable Urban Planning*.
[131] Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines*.
[132] Law 16050/14, available online in the Official Journal of the Prefeitura of S*ão Paulo:* http://gestaourbana.prefeitura.sp.gov.br/arquivos/PDE-Suplemento-DOC/PDE_SUPLEMENTO-DOC.pdf.
[133] More information on the master plan available online at this address: http://gestaourbana.prefeitura.sp.gov.br/master-plan/.
[134] Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines*.
[135] Barthel, Deboulet, and Pappalardo, *Le «Caire 2050»: l'entrée dans la compétition globale par le renouvellement urbain*.
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[137] Quoted in Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines*. Van Hamme and Van Criekingen, *Compétitivité économique et question sociale*.
[138] Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines*.
[139] Salat, *Integrated Sustainable Urban Planning*.
[140] Parilla, Leal Trujillo, and Berube, *Global Metro Monitor 2014. An Uncertain Recovery*.
[141] Ibid.
[142] Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines*.
[143] Ghorra-Gobin, *De la métropolisation*.
[144] UNCTAD, *Reforming International Investment Governance*; UNCTAD, *Transnational Corporations, Market Structure and Competition Policy*.
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[146] Sassen, *The Global City*; Veltz, *Mondialisation, villes et territoires,* quoted in Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines*.
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[153] Savini, Majoor, and Salet, *Urban Peripheries*.
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[155] Cortright, *Surging City Center Job Growth*.
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[270] International Relations Department of the City of Paris, *Adapt. Curb. Engage. 21 Solutions to Protect Our Planet*. More than 400 recharging stations were installed; electric vehicles benefit from free parking and reserved lanes and are subject to fiscal advantages.
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[273] Olivier Truc, *Copenhague, laboratoire de la future ville intelligente*.
[274] Montréal combines pay and free systems, but many cities have developed pay systems, requiring the use of a bank card (e.g. Vélib in Paris, Youbike in Taipei). In Copenhagen, only a quarter of daily commuters use a car to get to work: 36% of trips to work or school are made by bike (the goal for 2015 is to increase this to more than 50%). By 2025, the city wants 75% of trips to be made by foot, bike, or public transit.
[275] International Relations Department of the City of Paris, *Adapt. Curb. Engage. 21 Solutions to Protect Our Planet*.
[276] More information on the institute is available online at this address: http://seoulmiti.org/.
[277] Documentation on the case studies and presentations addressed during the workshop is available online: http://www.metropolis.org/agenda/urban-transportation-policy-training.
[278] Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines*.
[279] UNEP and Sustainable Buildings and Climate Initiative, *Buildings and Climate Change*; Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines*.
[280] Directive 2012/27/EU on energy efficiency is the last piece in a legislative package that includes legislation on eco-design, labelling and a building's energy performance, and frames energy efficiency within the wider context of Europe's long-term emission reduction and sustainability strategy and goals for 2020, 2030 and 2050. The directive is aimed at publicly-owned or used buildings, as well as new ones. Plans to extend this regulatory tool to private housing and companies are still at an early stage. The final text of the directive is the result of extended negotiations between the European Commission, the proposer of the framework, the European Parliament (which preserved certain consumer-oriented aspects), and the Member States, who were reluctant to forgo any competencies in this field (see Maltby, *European Union Energy Policy Integration)*.
[281] UNECE et al., *Towards a City-Focused, People-Centred and Integrated Approach to the New Urban Agenda, 13*.
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[287] Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines*.
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[290] UN-Habitat, *Global Public Space Toolkit. From Global Principles to Local Policies and Practice*.
[291] Leonie Joubert, 'Putting a Value to Urban Green Spaces'.
[292] Official EU statistics are available online on Eurostat's website: http://ec.europa.eu/eurostat/statistics-explained/index.php/ Greenhouse_gas_emission_statistics.
[293] UNEP, *Towards a Green Economy*.
[294] 'Habitat III Thematic Meeting: Public Spaces, Barcelona, 4-5 April 2016'.
[295] Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines*.
[296] Swilling et al., *City-Level Decoupling*, 51.
[297] More information available at: http://carte.afd.fr/afd/fr/projet/produire-energie-propre-a-partir-de-dechets.
[298] Philipp Rode and Graham Floater, *Going Green. How Cities Are Leading the next Economy*.
[299] Cf. GOLD III; Metro Vancouver (http://www.metrovancouver.org/).
[300] Associated Press, 'San Francisco's Fight to Counter Climate Change', example taken from Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines*.
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[302] See also the proceedings of the 2016 Committee on World Food Security's conference, Urbanization and Rural Transformation: Implications for Food Security and Nutrition, available online at: http://www.fao.org/cfs/workingspace/workstreams/urban/en/.
[303] See the interview with Monica Fein, Mayor of Rosario, in Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines*.
[304] Mougeot, Agropolis, De Zeeuw, Van Veenhuizen, and Dubbeling, *The Role of Urban Agriculture in Building Resilient Cities in Developing Countries;* Redwood, 'Agriculture in Urban Planning'. This case study is in Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines*.
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[306] Souchaud and Prévôt-Schapira, *Introduction*.
[307] Denis, *Du village au Caire, au village comme au Caire;* Sims, 'Egypt's Desert Dreams', developed in Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines*.
[308] Sims and Abu-Lughod, *Understanding Cairo*; Barthel, *Relire le Grand Caire au miroir de la densité*.
[309] Global Commission on the Economy and Climate, *Better Growth, Better Climate*, 14.
[310] For analyses supporting densification: OECD, *Compact City Policies;* UN-Habitat, *Urban Patterns for a Green Economy:* 'Concentrating so many people in dense, interactive, shared spaces has historically provided distinct advantages, that is, agglomeration advantages. Through agglomeration, cities have the power to innovate, generate wealth, enhance quality of life and accommodate more people within a smaller footprint at lower per capita resource use and emissions than any other settlement pattern'. See also Darley, Zunino, and Palisse, *Comment encourager l'intensification urbaine?*.
[311] Philipp Rode and Graham Floater, *Going Green. How Cities Are Leading the next Economy*.
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[313] Vega Centeno and Lafosse, 'La densification récente de Lima et ses défis en matière de logement et de transport', quoted in Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines*.
[314] Gaigné, Riou, and Thisse, *Are Compact Cities Environmentally Friendly?*
[315] Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines*.
[316] Benali, *La densification urbaine dans le quartier Vanier*.
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[318] This programme has become a tool to tackle exclusionary patterns of development that tend to push the most vulnerable onto the edges of cities' economic, social and political life. See Patino, *Building Resilient and Safe Communities against Poverty and Disaster*.
[319] Consider also the case of New York, where the risk of flooding is increasing. See, in this regard, Doyle Rice, *New York City Flood Risk Rising due to Climate Change;* Justin Worland, *Why New York City Will Be Flooded More Often*.
[320] UN Sendai Framework for Disaster Risk Reduction 2015-2030, available online at: http://www.unisdr.org/we/coordinate/sendai-framework.
[321] Yvette Veyret and Bernard Chocat, 'Les Mégapoles Face Aux Risques et Aux Catastrophes Naturelles', developed in Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines*.

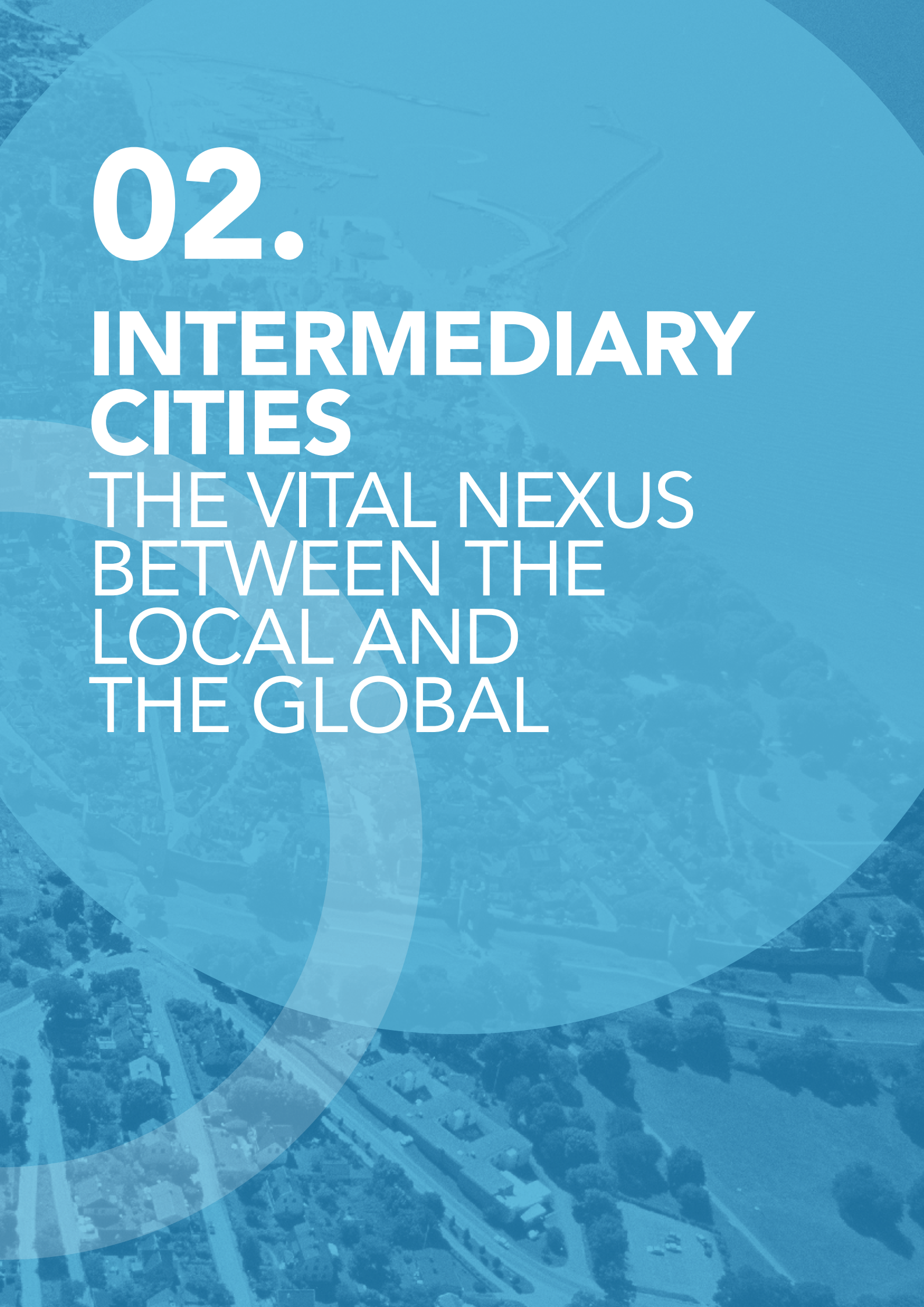
[322] Pierdet, *La résilience comparée de Phnom Penh (Cambodge) et Bangkok (Thaïlande) face aux crises hydrauliques*; Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines*.
[323] Yvette Veyret and Bernard Chocat (*Les Mégapoles Face Aux Risques et Aux Catastrophes Naturelles)* argue that, in this regard, vulnerability to climate risk has become an indicator of socio-economic inequality as well.
[324] Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines*.
[325] The World Health Organization (WHO) established a database on the Ebola infection; the data is still available online at this address: http://apps.who.int/gho/data/view.ebola-sitrep.ebola-summary-latest?lang=en/.
[326] Lieberman, *Can a New 'Global Alliance' Rethink Disaster Response in Cities?*
[327] Metropolises with the highest homicide rate – with some exceptions – are located in Northern, Central and South America, which together contain an astonishing 45 out of the world's 50 most dangerous metropolitan areas, according to an indicator of homicide rates per 100,000 inhabitants. For more data and detail, see Sterbenz and Engel, *The 50 Most Violent Cities In The World*.
[328] Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines*.
[329] Gracia et al., *Villes et Atténuation Du Changement Climatique*.
[330] Bhat et al., *Addressing Flooding in the City of Surat beyond Its Boundaries; Ghosh, Urban Environment Management. A study on postplague initiatives by the Surat Municipal Corporation*, Institute of Social Sciences, Delhi, available online at this address: http://www.globenet.org/preceup/pages/ang/chapitre/capitali/cas/indsurat.htm.
[331] UNISDR and CUDRR+R, 2016. *Local Government Capabilities for the Implementation of the Sendai Framework for DRR*, UNISDR (in process).
[332] Developed in Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines from the following sources: Agence Française de Développement, Question de Développement n°18 | Adaptation Au Changement Climatique Dans Les Villes*; Taylor, Cartwright, and Sutherland, Institutional Pathways for Local Climate Adaptation; Launay and O'Riordan, Sistematización de Experiencias sobre Mitigación y Adaptación al Cambio Climático en Once Ciudades de Colombia; Dodman et al., *Understanding the Assessment and Reduction of Vulnerability to Climate Change in African Cities. For the Global North, see also Beucher, La gestion des inondations en Angleterre*.
[333] An initiative such as 100 Resilient Cities, funded by the Rockefeller Foundation with the help of the Arup consultancy, has developed a framework of action for urban resilience which builds on 12 social, economic, and structural indicators of resilience and vulnerability that go beyond the natural effects of climate change. The action aims to identify the inherent and systemic strengths and weaknesses that shape a city's response to long-term sustainability challenges. The framework document on the indicators is available online at this address: http://publications.arup.com/publications/c/city_resilience_framework. The 100 Resilient Cities comprises, to date, 66 partner cities and an established cooperation platform of 60 partners from the public, private and non-profit sector. The organisation has concluded another round of discussion and initiative design that will lead to the inclusion of a third group of cities in 2016.
[334] UN Sendai Framework for Disaster Risk Reduction 2015-2030, available online at: http://www.unisdr.org/we/coordinate/sendai-framework, p. 54.
[335] Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines*.
[336] Lucci, Bhatkal, and Khan, *Are We Underestimating Urban Poverty?*
[337] UN-Habitat, *Issue Paper on Housing, 2*.
[338] See the Universal Declaration of Human Rights, art. 25(1), and the International Covenant on Economic, Social and Cultural Rights (UNGA A/Res/21/2200), adopted in 1966 and which entered into force in 1976. Both documents recognize the right to an adequate standard of living (including food, housing, and clothing) and access to health, education, social security, and participation in cultural life (Articles 9, 11, 12, 13, and 15 respectively). For Housing, see also UN-Habitat's Istanbul Agreement and Habitat Agenda (paragraph 61). For the right to water and sanitation, see UN Resolution A/Res/64/292, 28 July 2010.
[339] Most of this sub-section is based on Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines*.
[340] Yapi-Diahou, Brou-Koffi, and Koffi-Didia, *La production du sol à Abidjan: du monopole d'Etat au règne du privé;* Deboulet, 'Secure Land Tenure?'.
[341] Datta, Hopkins, and Pain, *The Illegal City.*
[342] With regard to the exclusion of the Bedouin population in Benin and Jordan, see Lavigne Delville, *La reforme fonciere rurale au Benin;* American University Beirut. *Dr. Omar Razzaz: Why and how property matters to planning*.
[343] Tribillon, 'Rendre plus Sûrs Les Droits Fonciers Urbains Populaires En Afrique de l'Ouest En Leur Donnant Forme Juridique Mais Aussi Dans Le Même Temps En Leur Donnant Forme Urbaine'; Lavigne-Delville et al., *Gouvernance foncière et sécurisation des droits dans les pays du Sud*.
[344] Fernandes, *Regularization of Informal Settlements in Latin America*.
[345] Ababsa, *Public Policies towards Informal Settlements in Jordan*.
[346] Most of this sub-section (except UN Data and declarations) is based on Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines*.
[347] Mathivet, *La Terre Est À Nous! Pour La Fonction Sociale Du Logement et Du Foncier, Résistances et Alternatives*.
[348] Sassen, *Who Owns Our Cities – and Why This Urban Takeover Should Concern Us All;* UNECE et al., *Towards a City-Focused, People-Centred and Integrated Approach to the New Urban Agenda;* Cushman and Wakefield, *Winning in Growth in Cities 2015-2016*.
[349] UN-Habitat, *Urbanization and Development*.
[350] UNECE et al., *Towards a City-Focused, People-Centred and Integrated Approach to the New Urban Agenda,* 17.
[351] Dodge, *Right To The City - NYC's Policy Platform and Condo Conversion Campaign: Grassroots Visioning and Policies for the Future of New York City;* Houard, *Le Logement Social En Europe: La Fin D'une Époque?;* Wang et al., *The Maturation of the Neo-Liberal Housing Market in Urban China*.
[352] UNECE et al., *Towards a City-Focused, People-Centred and Integrated Approach to the New Urban Agenda*.
[353] United Nations, 'The Pretoria Declaration'.
[354] UNECE et al., *Towards a City-Focused, People-Centred and Integrated Approach to the New Urban Agenda*.
[355] Deboulet and Lelévrier, *Rénovations urbaines en Europe;* Goetz, *Where Have All the Towers Gone?*
[356] In Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines*, Le Guirriec, *Habitat, Inégalités et Dignité*. Similar issues have been raised in the context of Rio de Janeiro, see for instance the video, *JO 2016: quel impact sur la physionomie de la ville de Rio de Janeiro?,* published by French newspaper Le Monde and available online at this address: http://www.lemonde.fr/jeux-olympiques-rio-2016/video/2016/05/05/jo-2016-quel-impact-sur-la-physionomie-de-la-ville-de-rio-de-janeiro_4914257_4910444.html. See also Toutain and Rachmuhl, *Evaluation et Impact Du Programme D'appui À La Réabsorption de L'habitat Insalubre et Des Bidonvilles Au Maroc*.
[357] Prévôt-Schapira, *Les villes du sud dans la mondialisation. Des villes du tiers-monde aux métropoles en émergence?*
[358] Deboulet, *Secure Land Tenure?*
[359] Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines*.
[360] Angotti, *La lutte pour le foncier et les promesses des fiducies foncières communautaires*.
[361] Attard, *Un logement foncièrement solidaire*.
[362] Krinsky, *Dix problèmes à résoudre pour un futur différent*.

[363] Dawance and Louey, *Le 'Community Land Trust' de Bruxelles*.
[364] For more information, see the *Voice of Mayors*, www.metropolis.org.
[365] See Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines*. Sources: Braathen, *Settlement Stories II. Communities Responses;* AFP, *Une Décharge Transformée En Jardin;* Goulet, *Programme* 'PMB'; Boonyabancha, *Baan Mankong*.
[366] Carriou, Ratouis, and Sander, *Effervescences de L'habitat Alternatif*.
[367] For example, in Quebec, France or Uruguay. See for instance Folléas, *Les Coopératives de Logements En Uruguay;* Bouchard, *L'habitation communautaire au Québec, un bilan des trente dernières années;* Devaux, *De L'expérimentation à l'Institutionnalisation*.
[368] Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines;* Gilbert, *The Return of the Slum*.
[369] UN-Habitat, *Issue Paper on Housing,* 12.
[370] Dupont, 'The Dream of Delhi as a Global City', quoted in Deboulet, Butin, and Demoulin, *Le Rôle des Aires Métropolitaines*.
[371] Cazenave and Porier, *Propriétaires à tout prix*; Schijman, *Usages, pactes et 'passes du droit'*; Ibid.
[372] More information available online at this address: http://www.unwater.org/topics/water-and-urbanization/en/ (last accessed on 25 May 2016).
[373] Pye and Dobbins, *Energy Poverty and Vulnerable Consumers in the Energy Sector across the EU*.
[374] UN-DESA, *World Urbanization Prospects: The 2014 Revision*.
[375] UCLG, *Basic Services for All in an Urbanizing World, 208–9*.
[376] Ibid., 243.
[377] 'Tariffs' are fees paid by service users, 'taxes' refer to funds channelled to basic services by central, regional and local governments, and 'transfers' refer to funds from international donors and charitable foundations. Transfers include grants and concessional loans, such as those given by the World Bank, which include a grant element in the form of a subsidized interest rate or a grace period.
[378] According to UNDP, to guarantee the right to water, tariffs should not exceed 3% of household income. In Europe in 2011, tariffs were a small share of average household incomes (1.7% for water and 4.4% for electricity). These averages, however, tend to hide substantial variation between cities.
[379] A Directive of the European Commission also prohibits disconnection of electricity to 'vulnerable customers' in critical times. Some protections exist for water. See the 'Europe' chapter in UCLG, *Basic Services for All in an Urbanizing World*.
[380] See also the 'Africa' chapter, Ibid.: every poor household receives the first 200 litres of water per day and around 50-100 kWh per month for free. In 2012, the programme reached 86% of all households.
[381] See the 'Europe' chapter, in Ibid.
[382] Some international institutions are critical of subsidies, arguing that they 'undermine efficient management'. See also Komives and World Bank, *Water, Electricity, and the Poor*.
[383] Foster and Briceño-Garmendia, *Africa's Infrastructure*, 11. This policy is also criticized in Eurasia and in some countries in Latin America.
[384] UCLG, *Basic Services for All in an Urbanizing World,* 209.
[385] Jomo et al., *Public-Private Partnerships and the 2030 Agenda for Sustainable Development: Fit for Purpose?*
[386] The Municipality of Paris and 40 other French municipalities have decided to re-municipalize part of the water services, as did Budapest, Napoli and several cities in Germany before them. Some other examples include Kuala Lumpur (Malaysia) and Manila (Philippines). In Africa, cases of terminated contracts were recorded in Gambia, Mali, Chad, and cities such as Nkonkobe (South Africa) and Dar-es-Salaam (Tanzania). Most recently, in Morocco, popular demands against private operators in the water sector increased, mostly due to increasing end-user prices. On the principles that guide some of the debate on 're-municipalization', see also Wollmann, *Public Services in European Countries Between Public/Municipal and Private Sector Provision – and Reverse?*
[387] More information available online at this address: https://client.lydec.ma/site/inmae.
[388] See for example Suez, *The First Environmentally-Friendly and Socially Inclusive Water Pricing Scheme in France*. Also, OECD, *Stakeholder Engagement for Inclusive Water Governance;* Allegretti et al., *More Inclusive Cities and Territories*.
[389] Ostrom, *Crossing the Great Divide;* OECD, *Private Sector Participation in Water Infrastructure*.
[390] Paulais, *Financing Africa's Cities*.
[391] Queiroz and Izaguirre, *Worldwide Trends in Private Participation in Roads;* McGranahan and Water, *How Small Water Enterprises Can Contribute to the Millennium Development Goals*.
[392] Burra, Patel, and Kerr, *Community-Designed, Built and Managed Toilet Blocks in Indian Cities*.
[393] Fergutz, Dias, and Mitlin, *Developing Urban Waste Management in Brazil with Waste Picker Organizations*.
[394] Keita, *Building Partnerships for Urban Waste Management in Bamako*.
[395] Kempener et al., *Off-Grid Renewable Energy Systems: Status and Methodological Issues*.
[396] See Appendix II of UCLG, *Basic Services for All in an Urbanizing World*.
[397] Ibid.
[398] See, for instance, UN General Assembly (2013), *Culture and sustainable development*, Resolution A/C.2/68/L.69, 5 December 2013.
[399] UCLG Committee on Culture, *Agenda 21 for Culture*. See also the UNESCO 2005 Convention on the Protection and Promotion of the Diversity of Cultural Expressions, and the focus on cultural liberty in UNDP, *Human Development Report 2004*.
[400] The document was discussed and approved during UCLG's 3rd World Congress, held in Mexico City in November 2010. A policy statement – *Culture: Fourth Pillar of Sustainable Development* – is available online at this address: http://agenda21culture.net/images/a21c/4th-pilar/zz_Culture4pillarSD_e ng.pdf.
[401] UCLG, *Culture 21: Actions. Commitments on the role of culture in sustainable cities, 2015,* available at http://agenda21culture.net/images/a21c/nueva-A21C/C21A/C21_015_en.pdf. The toolkit provides practical guidance to local governments aiming to integrate cultural aspects in their approaches to sustainability, through self-assessment, policy innovation and peer-learning.
[402] Estrada Ortiz, *Factories of Arts and Jobs in Mexico City*.
[403] Toledo Orozco, *Arts, Culture and Sport*.
[404] Caramés, *Barcelona Art Factories*.
[405] de Oliveira, Avelar, and Oliveira Jr., *Belo Horizonte: Network of Regional Cultural Centres*.
[406] Villarubias, *Making Lyon a Sustainable City*.
[407] Leanza and Carbonaro, *Socially Inclusive Urban Transformation after the Great Recession*.
[408] Carlos Alberto Zarate Yepes et al., *La Charte de Medellín*.
[409] Metropolis, Berlin, *PrepCity III, Cities as Actor* (unpublished report, May 2016). The reflection is based on the 'Circles of Social Life' approach, developed by Paul James, and organized around four principles: Economic, Ecology, Politics and Culture.
[410] The *Global Charter-Agenda for Human Rights in the City* was formally adopted by UCLG in 2011 during its World Council in Florence – which was attended by over 400 mayors from all over the world.

02.

INTERMEDIARY CITIES

THE VITAL NEXUS BETWEEN THE LOCAL AND THE GLOBAL



1. INTRODUCTION

Historically, intermediary cities (i-cities) have contributed significantly to the territorial cohesion and integration of their respective regions and countries, both as regional centres and as providers of administrative and social services, conventionally linked to local economic activities. These cities play a critical role in achieving an 'inclusive, safe, and resilient' urbanism (Goal 11 of the Sustainable Development Goals - SDGs), by strengthening rural-urban ties, promoting more balanced urban systems or providing opportunities for 'human-scale' development and improving the quality of life of their citizens. **Despite their demographic and territorial relevance within their national urban systems, many i-cities are still neglected in development agendas**. They face the challenge of adjusting their own needs and expectations to a global urbanization process that is making urban systems more complex and increasingly polarized around large agglomerations.

This chapter addresses the issues, concerns and opportunities that affect the development of i-cities, as an essential part of the national and global system of cities.[1] I-cities today are home to 20% of the world's population and one third of the total urban population, and play a major role in migration, administrative, economic and logistics processes. They link the population living in rural areas and small towns to the larger networks of primary and metropolitan cities. In developed economies, particularly in Europe and Northern America, the position of i-cities varies: while many face economic uncertainty, others have grown into dynamic actors in the new global economy. In many developing economies, on the other hand, i-cities are growing at different paces and experiencing significant development pressures from urbanization. Until very recently, however, these i-cities had not received much attention in international comparative analyses.[2] In certain regions, i-cities have long been seen as the weakest link in urban systems, and particularly vulnerable in the transformation of the global economy and the ongoing process of urbanization.

Faced with a scenario of territorial imbalance and social, economic and environmental uncertainty, governments and the international community now have a historic opportunity to put their i-cities at the centre of their policy agendas and regional and national development strategies. If a majority of countries do not commit to undertake this challenge swiftly, it could compromise the prospects of a significant part of the world's urban population, whose empowerment is so important in the creation of the New Urban Agenda, and the achievement of the SDGs.

This introduction provides the key definitions needed for a thorough analysis of the phenomenon of i-cities and their place in the broader picture of urbanization in an increasingly globalized and complex world. Section 2 explores **the concept of intermediary cities through analysis of their key dimensions.** These include: their scale, functions, location and connectivity; the distinctive governance and financial architecture they have developed to preserve their role in national urban systems; the role of urban planning and design to promote and protect their sustainability; the specific role they play in local economic development, with a focus on the rural-urban linkages they help foster; and the potential benefits they can reap from investment in identity, technology and equality.

Section 3 examines **i-cities in different regional contexts across the world**. Finally, Section 4 concludes this chapter with a series of **recommendations and key messages for i-cities,** including how they can actively contribute to today's global development and urban agendas, with a special focus on the New Urban Agenda.

Governments and the international community now have a historic opportunity to put their i-cities at the core of their policy agendas and regional and national development strategies

1.1 DEFINITION OF INTERMEDIARY CITIES

What constitutes an intermediary city? This is a difficult question to answer, since the terms that describe and classify these cities are still widely debated. Originally incorporated within the definition of secondary[3] or mid-sized cities,[4] the concept has further developed into that of intermediary city,[5] 'satellite towns',[6] 'second-tier city'[7] and, again, 'secondary city'.[8] The terms intermediary, mid-sized and secondary cities are often used interchangeably in the literature. This gives rise to confusion about the way cities are classified in national and global contexts. Intermediary and secondary cities have different roles, functions and scale even though, in certain circumstances, these concepts can overlap.

Intermediary cities are cities with a population of between 50,000 and one million people that generally play a primary role in connecting important rural and urban areas to basic facilities and services

This report builds on the definition of i-cities developed by UCLG, a synthesis of different definitions that can be applied to different contexts and regions. Accordingly, intermediary cities are cities with a population of between 50,000 and 1 million people that generally play a primary role in connecting important rural and urban areas to basic facilities and services. This definition overcomes static and traditional definitions based on a hierarchical urban-system approach, by adopting a more open, dynamic, as well as interactive concept.[9] This definition should, moreover, be considered flexible so as to be equally applicable to i-cities in Asia – where some cities with more than 1 million inhabitants can be functionally regarded as intermediary – as in Europe, where some cities with as few as 20,000 inhabitants play intermediary roles. The proposed definition is close to the one adopted during the Thematic Habitat III Conference on 'Intermediate Cities' held in Cuenca (Ecuador), on 9 -11 November 2015.[10] According to this definition, there are nearly 9,000 i-cities in the world that are home to around 1.4 billion people (36% of the world's urban population).[11]

I-cities generally fall into one of three broad types:[12]

- **Regional i-cities** that act as sub-national urban centres of administration, manufacturing, agriculture, trade or social and cultural services, and that combine resources for regional development and cohesion;
- **Clustered i-cities** that develop as industrial districts on the periphery of metropolitan or large urban regions, or take the form of new towns, 'spill-over' growth centres, and/or linear cities;[13]
- **Corridor i-cities** that develop as growth poles along major transportation corridors, sometimes expanding across borders and countries.

These three types of i-city play a vital role in wider national and transnational systems of cities. In some cases, their roles and functions may expand across a whole geographic region, or even globally, as primary hubs of business, services, knowledge or cultural activity.[14] There are other ways of classifying i-cities, some of which will be analyzed in this chapter (by size, for instance small, medium or large i-cities; or by geographic location, coastal, inland or landlocked i-cities).

I-cities also play a unique role in providing essential services to both urban and rural populations. They act as regional market centres or hubs for smaller cities. They connect traders and producers with customers and markets in larger metropolitan areas. They may also be providers of government services, education, and access to a variety of social and specialized services. Many i-cities have gained recognition as global hubs in key aspects of governance, logistics, trade, tourism, and technology – not to mention their increasingly central role in adaptation and mitigation strategies against climate change effects or the protection of the biodiversity of their hinterlands.

Table 1.1 presents data on the evolution of i-cities in global and regional contexts. Firstly, it can be observed that the population of i-cities is projected to increase by more than 434 million people between 2015 and 2030. This growth rate is similar to that of metropolises with a population of between 1 and 10 million people (408 million new inhabitants), and almost double the growth rate of 'megacities' (258 million new inhabitants). The highest rate of growth for i-cities is set to be in Sub-Saharan Africa and Asia, and especially in cities of 300,000 or fewer inhabitants (208 million new dwellers, if one includes in this cities of fewer than 50,000 inhabitants). I-cities with a population of between 500,000 and 1 million inhabitants are expected to grow by a total of 138 million (91 million in Sub-Saharan Africa and Asia).

Meanwhile, the group of mid-sized i-cities (between 300,000 and 500,000 inhabitants) will see their population grow by 57 million (45 million of which are in Sub-Saharan Africa and Asia). Europe and Northern America, on the other hand, will see the highest increases in cities with a population of between 300,000 and 1 million people (15.6 million people).

Table 1.1 **Population estimates by city size and regions, 2015, 2030 (millions)**
Source: UN-DESA, 2015

GLOBAL REGIONS	METROPOLITAN AREAS						INTERMEDIARY AND SMALL CITIES					
	>10 million		5 to 10 million		1 to 5 million		500,000 to 1 million		300,000 to 500,000		< 300,000	
	2015	2030	2015	2030	2015	2030	2015	2030	2015	2030	2015	2030
WORLD	471	730	307	434	847	1,130	371	509	262	319	1,700	1,940
Less developed regions	349	604	238	342	649	907	281	408	190	241	1,270	1,500
Africa	43	101	25	74	106	160	40	83	34	42	223	309
Sub-Saharan Africa	25	77	20	60	88	139	31	67	26	34	169	244
Asia	293	457	196	258	429	595	202	283	126	160	867	1,000
Europe	33	35	11	12	84	96	59	61	43	46	316	316
Latin America and the Caribbean	70	103	32	25	125	163	40	44	32	41	204	220
Northern America	31	33	43	54	88	105	29	38	24	26	80	83
Oceania				10	15	8	0.58	2	2	3	10	11

N.B. In this source's database, cities with fewer than 300,000 inhabitants also include cities of 50,000 inhabitants or fewer. In a similar table in this report's introduction, however, data for cities with fewer than 50,000 inhabitants are analyzed separately and only for 2015.

1.2
THE IMPERATIVE TO FOCUS ON I-CITIES

For the past few years, interest in the status and trajectory of intermediary cities has been growing. This has been driven mostly by concern – both in the academic community and at the governmental level – that the role and importance of i-cities in the development of efficient national systems for cities is not fully understood. It is thought that the potential of i-cities to add value to economies and sustainable development is therefore being stifled. Improving the functions and efficiencies of i-cities could lift the performance of national economies: i-cities can act as buffers for rural-to-urban migration and alleviate similar pressures on metro regions, as well as help reduce rising inter-regional inequality in many countries.

There is insufficient understanding of the way in which i-cities fit within national, regional and global systems of trade, investment and development, partly due to a scarcity of information, and this weakens their position in the national economy. This gives rise to a number of strategic questions:

- What kind of strategic infrastructure or enabling environments should i-cities develop to play a more active and diverse role in the development of sub-national regions?

- How can local governments work with business communities and civil society to create enabling environments that encourage investment, foster inclusive development, and generate new opportunities for their inhabitants?
- How can systems of local and regional governance work more effectively, access better information and knowledge, and promote wider community engagement in local decision-making processes?

It is a critical task for governments to better understand the functions of i-cities and how they relate to and interact with larger cities, small towns and regional governments. Their development is increasingly shaped by external factors, such as rural-urban migration, structural changes to national economies, increasingly global markets, and rapid changes in technology, energy use and productive processes – which some have already dubbed the 'Third[15] or Fourth Industrial Revolution'.[16] These factors collectively present unprecedented challenges to the future ability of i-cities to maintain their identity and reach their full potential. Overcoming these challenges will be instrumental to the achievement of the SDGs and other related global agendas (on climate change, the Sendai Framework for Disaster Risk Reduction, the Addis Ababa Action Agenda). Most of these goals, ultimately, are inextricably linked to the responsibilities and challenges of intermediary cities, as the rest of the chapter highlights.

Photo: Natalia Cartolini - Cuenca (Ecuador).

2.

THE PROFILE AND DYNAMICS OF INTERMEDIARY CITIES

The economic, social and cultural relations elicited by urban proximity and human scale are a source of potential competitive advantage for i-cities – even in a rapidly changing and increasingly globalized and connected world.

The quality of life of a city can be measured by its citizens' satisfaction with the economic, social, cultural, environmental and/or institutional factors affecting their daily lives. Proximity to services is one of the indicators that most characterizes i-cities.[17] Using international measurements of quality of life, i-cities such as Göteborg (Sweden), Trondheim (Norway), Winnipeg (Canada), and Aberdeen (United Kingdom) manage to compete with large global metropolises.[18] Aalborg (Denmark) boasts a 99% level of satisfaction among its citizens.[19] Many i-cities have likewise grown to be leaders in innovation. These include Raleigh-Durham (United States), Leipzig and Karlsruhe (Germany), Bilbao (Spain), Edinburgh and Bristol (United Kingdom), and Toulouse (France) among others.[20]

Many i-cities share these strong qualities and characteristics, taking advantage of proximity and scale and successfully overcoming disasters, risks and challenges. But not all i-cities are as effective. Many regions have experienced a surge in inequality between large, intermediary and small cities and it is not uncommon for i-cities to experience lower levels of employment, health and wages compared with national averages.

This presents a paradox: why are some i-cities able to optimize their role in the wider urban system, while others fall behind, struggling to create decent jobs, attract investment and ensure sustainable development and better lives for their citizens?

The answer to this question is vital for a better understanding of i-cities and their role within their respective national systems. This is essential if i-cities are to advocate and fight for an improved quality of life for their citizens and build governance systems that are accountable, resilient and sensitive to the dynamics of change at the local and global levels.

This section highlights those key elements that distinguish i-cities. It analyzes the dynamics of change; their governance frameworks and funding mechanisms; their role in planning and shaping territorial and spatial development; as well as their competitive advantage in fostering local economic development.

2.1 THE DYNAMICS OF CHANGE

The way i-cities function and develop is influenced by a number of factors, policies and events, many of which are beyond the control of cities and governments. Structural economic change can be particularly challenging for i-cities – especially those that are dominated by a single industry. I-cities often have a narrow economic base and may be more vulnerable to change that is driven externally. Adverse economic or social conditions force intermediary and smaller

A relative advantage of i-cities – and smaller ones in particular – over larger cities is their human scale, a fact that has generally been neglected in development agendas

cities to move faster when implementing change or encouraging innovation.[21]

Political dynamics also influence the management of i-cities. A relative advantage of i-cities – and smaller ones in particular – over larger cities is their human scale, a fact that has generally been neglected in development agendas. Human scale has a crucial impact on the ability of local governments to implement policies more efficiently,[22] provided there is strong and accountable local leadership. I-cities need to focus on the priorities that will improve governance, mobilize local communities and develop their human and social capital. Many i-cities also need to understand the strategic value of inclusiveness, preserving their identity, and mobilizing their cultural and environmental assets.

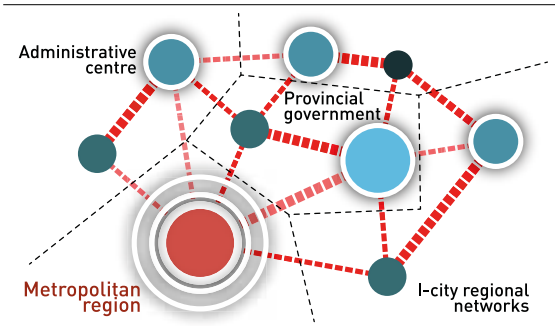
Human scale and proximity are key elements for the development of i-cities but other variables, such as location and functions within regional and global networks, are also becoming critical. Several of these variables – structure, size, form and function, demographic trends and economies of scale – are analyzed in detail in this section.

2.1.1 Structure: size, form and function

The dynamics of globalization and migration mean that i-cities are in a constant state of flux. Twenty-six percent of the whole i-city population live in larger i-cities of between 500,000 and 1 million inhabitants, and many of these may eventually gain characteristics typically associated with metropolitan agglomerations. Meanwhile, more than half (54%) live in medium-sized i-cities (between 100,000 and 500,000 people), and the remaining 20% live in smaller i-cities with a population of between 50,000 and 100,000. Section 3 of this chapter evaluates this data in detail for each world region and its respective countries.

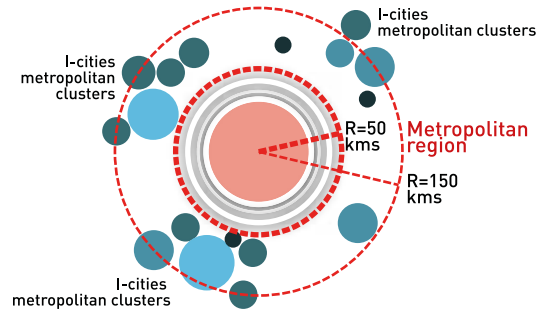
One of the impacts of globalization is the immersion of cities in functional networks rather than strict hierarchies based exclusively on city size or government system. **I-cities exhibit huge variations in size, function, geographic location and the roles they play within wider networks**. The different typologies of i-cities – nodes, clusters and corridors – are described in Figure 2.1.

Figure 2.1 Typologies of intermediary cities



Historical regional nodes
These are i-cities that play a key role, either as centres of government in provinces, departments or regions; or having been historically relevant industrial poles or economic centres. I-cities of this kind perform a broad range of functions: administrative centres; agriculture, agro-industrial and extractive industries; tourism; and knowledge economy.

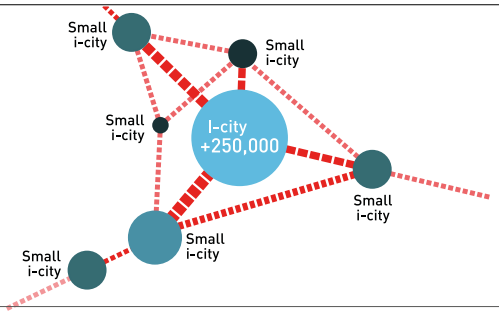
I-CITY CLUSTERS



Metropolitan clusters
These are i-cities beyond the peripheral zone of metropolitan areas and regions, generally with commuting times of over 90 minutes. Most of these i-cities provide, nonetheless, a broad range of service, food-processing and assembly manufacturing industries. Most range in size from 150,000 to 250,000 inhabitants.

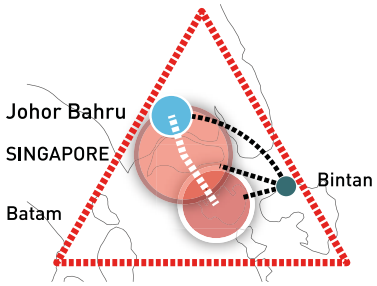
Regional clusters

These clusters are agglomerations of i-cities defined as 'forms of territorial aggregation between companies operating in the same sector or branch'. This group is usually modelled on the example of furniture, footwear and clothing small and medium-sized enterprises (SMEs) that peaked economically in northern and central Italy during the 1990s. These clusters tend to have a long history in manufacturing specialized goods and services.



Cross-border clusters

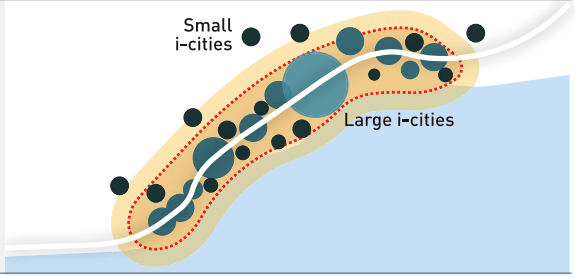
These clusters form when adjacent cities, although located in different countries, create a contiguous sphere of economic influence. They usually have a high level of specialization, due to the concentration of firms that manufacture products or provide services as a whole within an integrated cross-border supply chain. The Singapore/Johor Bahru/Batam-Bintan growth triangle is one of the most dynamic examples of this type of cluster.



I-CITY CORRIDORS

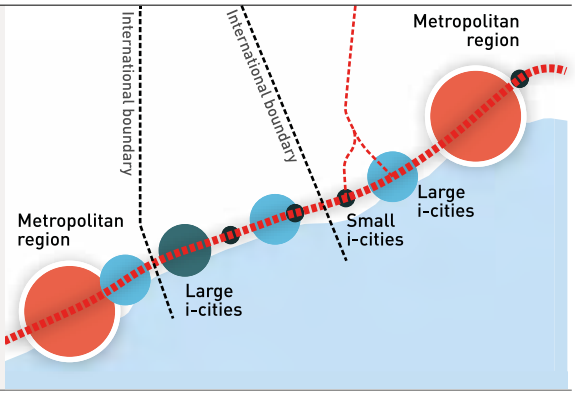
National corridors

These are networks of large towns and smaller i-cities that have become connected along inland and/or coastal national networks, taking the form of a linear agglomeration up to 50km or more in length. This type of corridor has been widespread in coastal regions of Southern Europe and Northern America, but is now emerging in similar contexts in many countries of the Global South.



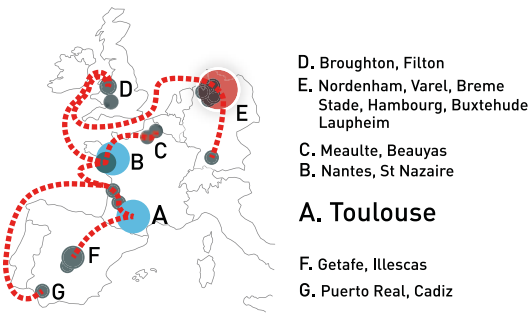
International corridors

International corridors are networked systems of i-cities that form economic integration and cross-border trade corridors and axes between two or more countries. This type of corridor tends to take advantage of main transport infrastructures across continents and large navigable waterways. They concentrate specialized functions in supply-chain logistical centres. International corridors are common phenomena in Europe, and are increasingly frequent in the most dynamic areas of Africa, Latin America and Asia.



International networks

These networks are polycentric systems of i-cities spreading across different countries. They cooperate at the global scale in high value-added sectors such as automotive, aircraft and aerospace industries, pharmaceuticals, and the knowledge-based economy in general. These new i-city networks tend to reap the benefits of the highly internationalized business and corporate environment of Research and Development (R&D) leaders in key sectors such as health, finance, security and technology. The network of companies involved in the production cycle of Airbus in Toulouse (France), or research-centre networks close to university cities, are examples of this typology.



Intermediary cities tend to evolve in **coastal**, **inland** and **landlocked contexts**. Geographic location has a significant impact on functional specialization. Around 40% of the urban population in i-cities live in 'coastal strips' of 100-150km, which creates strong 'path dependencies' for the urban development process. The remaining 60% live in either/both inland and/or landlocked i-cities. Local development in these cities is inevitably linked with the improvement of local connectivity and relations with surrounding areas – a precondition for any form of access to regional and global markets.

I-cities play an increasingly influential role in the economic integration and territorial cohesion of their countries because of their potential to generate development opportunities, not just for their urban residents but also for the rural population living within their sphere of influence. This has been very apparent in Europe, where polycentric urban systems are common, with many i-cities interconnected to a small number of metropolises, each one fulfilling specific complementary functions and contributing, in its own way, to mutual cooperation and integration.[23] It is essential, therefore, that national policies recognize the specificities and typologies of i-cities, acknowledging their contribution to regional development while fostering a more balanced urban system.

2.1.2 Urban and demographic transitions

A significant proportion of the world's i-cities face the challenge of making socio-economic progress and sustainable development compatible, against a backdrop of often unpredictable urban and demographic transition.

Urban expansion does not necessarily coincide with population growth. In many advanced economies, for instance, the urban footprint of many i-cities has expanded, irrespective of natural growth rates that were often either static or even declining. While in developing countries, many i-cities have recorded a surge in population growth – thanks mostly to the overall reduction of mortality rates, steadily growing fertility and birth levels, and intensified rural-to-urban migration flows – they have also expanded their urban agglomeration through unprecedented peri-urbanization processes.

Table 2.1 **Rates of annual growth of population in cities, according to their size, for the periods 2000-2015 and 2015-2030 (%)**

Source: UN–DESA, World Urban Prospects, 2014, F17d, Population in cities classified by size class of urban settlements, major area, region and country 1950-2030

GLOBAL REGIONS	METROPOLITAN AREAS						INTERMEDIARY AND SMALL CITIES					
	>10 million		5 to 10 million		1 to 5 million		500,000 to 1 million		300,000 to 500,000		< 300,000	
	2000-2015	2015-2030	2000-2015	2015-2030	2000-2015	2015-2030	2000-2015	2015-2030	2000-2015	2015-2030	2000-2015	2015-2030
WORLD	4.18	2.96	2.57	2.34	2.32	1.93	2.36	2.14	2.15	1.33	1.60	0.88
Less developed regions	5.23	3.73	2.73	2.45	3.09	2.25	2.92	2.52	2.76	1.58	2.07	1.16
Africa		7.87	0.34	7.57	4.56	3.13	3.14	5.19	5.38	1.75	3.50	2.47
Sub-Saharan Africa	8.04	5.81	1.88	7.49	3.69	2.79	3.30	5.05	4.61	1.38	3.02	2.20
Asia	4.92	3.00	2.53	1.85	3.10	2.20	3.41	2.26	1.91	1.62	2.18	0.96
Europe	8.35	0.42	-4.64	0.52	0.06	0.92	0.98	0.19	-0.14	0.47	0.24	-0.01
Latin America and the Caribbean	1.14	2.57	3.40	-1.64	2.47	1.80	0.65	0.54	4.35	1.63	0.91	0.52
Northern America	0.28	0.47	7.98	1.64	0.25	1.19	0.46	1.70	3.13	0.64	0.08	0.25
Oceania				0.00	1.22	-4.16	0.00	7.94	1.73	1.46	1.73	0.63

Table 2.1 shows an approximation to the population growth rate of cities according to their size, with a comparison of the periods 2000-2015 and 2015-2030. The population of i-cities between 500,000 and 1 million inhabitants is expected to keep growing at an average rate of 2.14% between 2015 and 2030. Annual growth rates of population in cities with fewer than 300,000 inhabitants, however, are likely to drop from 1.60% to 0.88%. Population growth rates in megacities, the fastest-growing typology between 2000 and 2015, are projected to slow down to a rate of 2.96% over the next 15 years. Growth rates, however, show significant variation by region. The population growth rate in Sub-Saharan African cities, for instance, will increase significantly in large metropolises of more than 5 million inhabitants (a 7.49% increase between 2015 and 2030). Meanwhile, in the same region the population of i-cities of 500,000 inhabitants or more will experience a 5.05% surge over the next 15 years, and smaller i-cities of 300,000 inhabitants or fewer will see a 2.20% increase. However, this table should be viewed with caution as the data for many countries has a high degree of uncertainty. It also does not account for the population of intermediate cities that jump from one category to another (e.g. those i-cities that have exceeded the threshold of 1 million people and will no longer be considered i-cities in 2030).

In the urban and demographic transition of many developing countries, rural-to-urban migration has had a significant impact. The exact effect of migration in many countries of Sub-Saharan Africa and South-eastern Asia, however, has proven hard to assess, mostly because of obsolete census information that has historically failed to take account of the floating population (people that move from rural to urban areas, and vice versa, on a seasonal or semi-permanent basis). In Sub-Saharan Africa, for instance, the world region with by far the highest urban population growth rate (4% a year), rural migration accounts for a third of this growth, but i-cities do not necessarily retain this new population. Data show that many i-cities, especially smaller ones, have been absorbing significant flows of rural migration – even though these inflows have been consistently compensated by outflows either back to rural areas or towards larger cities. The contribution of migration was considerably higher in Asia during the same period and is expected to continue growing, albeit at a slower pace.[25] A common issue for many i-cities – e.g. in the Philippines, China, India, Mexico, and most of Europe - is the out-migration of younger populations to larger cities in search of jobs, education and other opportunities, leading to imbalances in the remaining population.[26]

Since the 1980s, urban transition globally has been led by China. Here urban policies have targeted the competitiveness of provincial urban systems and at the same time attempted to reform the household registration system of *hukou* which was designed to curb migratory pressures on its main metropolises.[27] China actually concentrates 41% of its total urban population in i-cities (2015), which has contributed substantially to the development of what is today the world's second largest economy. Similarly, Africa has the same population concentrated in 1,086 i-cities as in 56 metropolises and, in certain contexts – such as Mozambique, Algeria, Morocco, Sudan, Tunisia or Nigeria – i-cities have been predominant in the urban landscape and essential to the economic specialization of the territory.

By contrast, developed economies of the Eurozone, Northern America and Japan are facing the opposite urban and demographic challenges of those in the Global South. Europe is currently the world region with the largest concentration of population in i-cities (41.8%), double that of its metropolitan areas. I-cities have played a major role in catalysing territorial cohesion and diversifying the national economy, during cycles of both economic growth and downturn.

Between 1990 and 2014, the population of many i-cities from 'transition economies' in Baltic countries, Central and Eastern Europe, and Central Asia, has shrunk in the face of structural changes in their political and economic organization. In the United States, Detroit is a well-known example of a 'shrinking city', as the collapse of its automotive industry saw the city lose more than half its peak population and file for bankruptcy in 2013.[28]

As mentioned in the introduction, it is anticipated that i-cities will host more than 400 million new urban dwellers in the coming 15 years, more than 90% of them in Asia and Sub-Saharan Africa, at a rate of 70,000 people per day. I-cities often play a gateway role in the migratory process towards metropolitan areas. In most cases, however, the migrating population tends to remain systematically excluded from a full right to enjoy citizenship, creating pockets of concentrated poverty and

It is anticipated that i-cities will host more than 400 million new urban dwellers in the coming 15 years, more than 90% of them in Asia and Sub-Saharan Africa, at a rate of 70,000 people per day

triggering precarious sub-urbanization and informality in all aspects of daily economic and social activities.

Intermediary cities, in this regard, have a responsibility to act as buffers in the implementation of migration policies. To do so, integrated multilevel governments have to cooperate to guarantee housing rights, access to basic services, education and decent job opportunities. As urbanization continues,[29] many i-cities will have to prepare to institutionalize planning in their development agendas, by adapting their spatial, social and economic development to an ever-changing demographic environment – and guided by a firm determination to anchor development to their own territory for the security and wellbeing of present and future generations.

2.1.3 Economies of scale and proximity

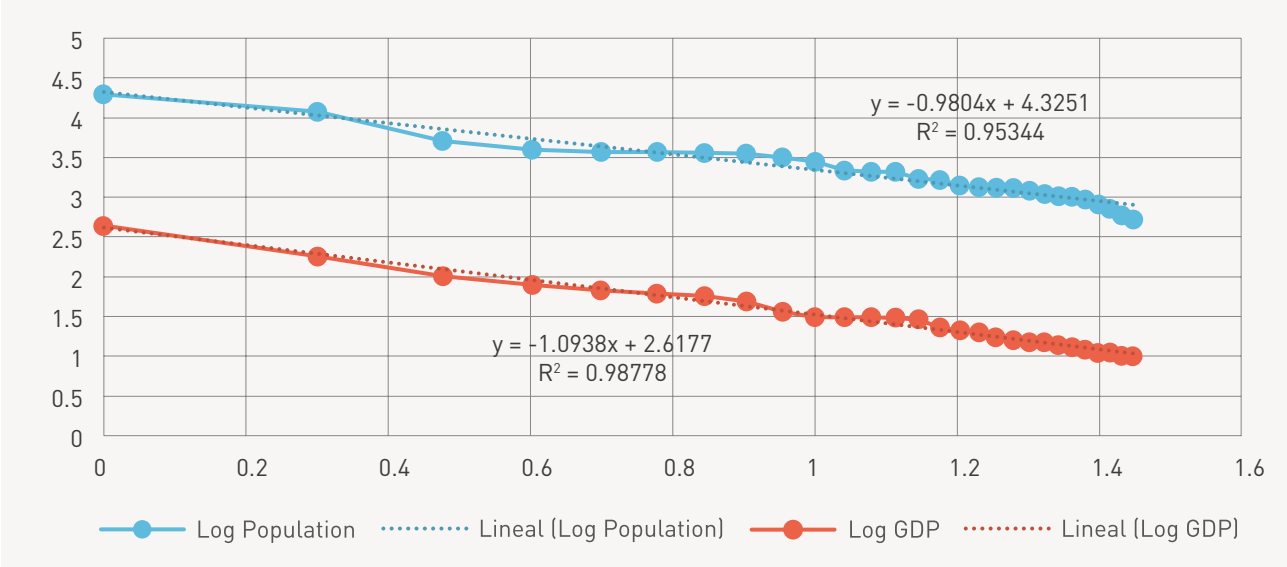
There are significant differences in GDP wealth and income between cities, and the size of a city certainly affects these indicators. Reliable data for the sub-national level are not easily obtainable in many countries, even less so with regard to i-cities. In many cases, the GDP and economic performance of such cities tend to be near to, or slightly below, the national medians and averages of their countries – while the opposite is normally true for metropolitan areas. In many cases, where one or two large cities dominate the national urban system, i-cities show a much-reduced range of economic activities. Normally, they depend on one dominant sector – such as agriculture, mining, raw materials manufacturing or tourism – as the economic foundations of the city. This is most prevalent in regions such as Sub-Saharan Africa and Southern Asia, where urbanization levels are still relatively low.

Comparisons between i-cities and larger cities should, however, be made with care. In more polycentric national systems of cities, the relationship between population, economic and other indicators is generally more balanced. The more polycentric the network of national systems of cities, the greater the capacity of i-cities to share their resources within these national systems. The analysis of data from Germany, the United Kingdom, and Australia shows patterns similar to the United States.

In OECD countries with polycentric systems of cities there can be significant variation in the relationship between population and GDP indicators, and this is explained by the fact that some i-cities have high levels of specialization and value-adding industries. In Europe, polycentric systems of i-cities have played a key role in the economic integration of the territory. In spite of the global financial crisis of 2008, several i-cities in Germany, Italy, Spain, Switzerland, Poland, the Netherlands and Norway have

Graph 2.1 **Log of the relationship of GDP and population by city ranking, Brazilian cities (2015)**

Source: MGI, 2014; UN-DESA, 2015



experienced higher GDP growth than that of their respective capitals. The main i-cities of Spain, the Netherlands, Sweden and Poland, for instance, account for between 50% and 80% of their respective capitals' GDPs. However, in Ireland, Denmark and Portugal, the main i-city of the national urban system only produces between 25% and 50% of the capital's GDP. These figures are even lower (10-15%) in France and the United Kingdom, mainly because of the larger economic influence of Paris and London, both truly global cities.[30]

Much of Latin America also relies on narrowly specialized i-city economies. Graph 2.1 shows the relationship between the ranking of population size and GDP for 30 Brazilian cities. As the scale of the population in i-cities declines, there is a proportional but steeper decline in GDP and GDP per capita. These differences can also be seen in other countries, where the spatial population settlement system is heavily concentrated in one or two large cities, e.g. Lima in Peru and Santiago in Chile.[31] Countries such as Ecuador and Colombia are exceptions, with i-cities showing greater diversity of economic activity.

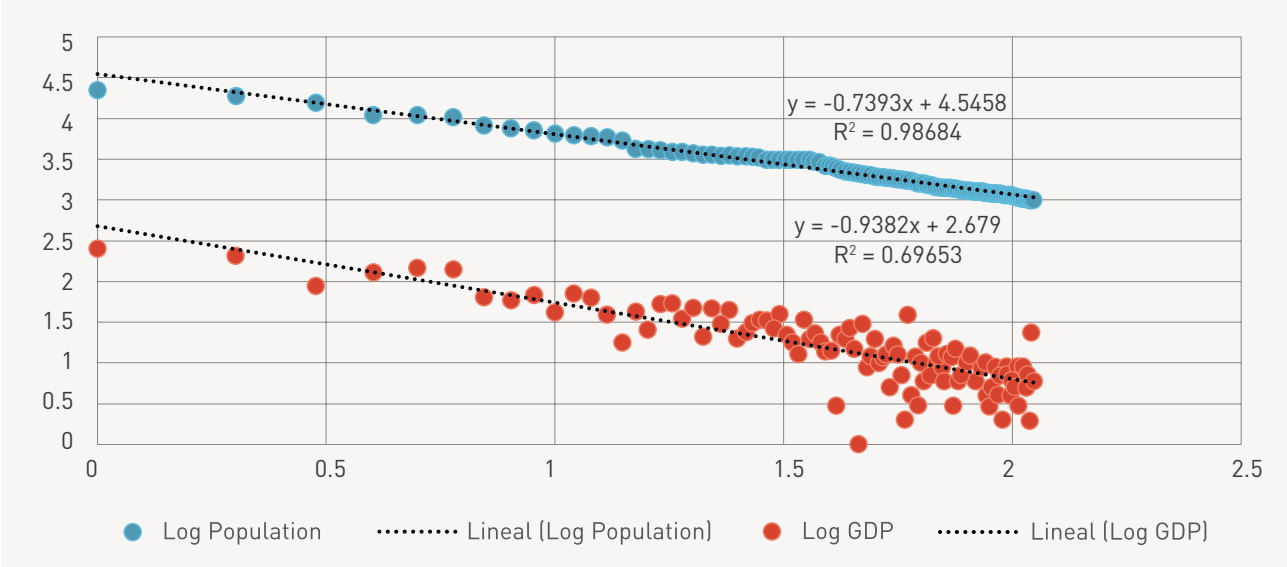
Graph 2.2 shows the relationship between the ranking of population size and GDP for 205 Chinese cities. This measurement is consistent with that of most other large economies in the world. The relationship between log ranking of population and GDP demonstrates, however, that cities with fewer than 1 million inhabitants experience significant variations in GDP. With the exception of resource-rich cities in Western China, GDP variations in inland cities are much greater than in coastal cities, or in cities located on large navigable rivers. The log ranking of the relationship between population and GDP for China is similar to that of other large countries in Asia, including India, Indonesia, and Pakistan. Accessibility, quality of infrastructure, distance from the national capital and skills development are all factors that explain why many inland i-cities in Asia are not performing as well as coastal i-cities.

I-cities' demographic relevance has an impact on their ability to generate economies of scale in production and/or competitiveness of local firms and industries.[32] As i-cities grow, they also generate their own internal economies of scale and local markets, and their economies tend to diversify. This transition normally occurs when the urban population exceeds 60,000-100,000 – depending on the country – and especially when a city has technological and innovative industries, a fully functioning regional university campus, or strong political and business leaderships. I-cities with a population of 250,000 or more tend to perform better than small cities, especially in terms of job creation, economic

Comparisons between i-cities and larger cities should, however, be made with care

Graph 2.2 **Log of the relationship of GDP and population by city ranking, Chinese cities (2015)**

Source: MGI, 2014; UN-DESA, 2015



growth, innovation and wealth.[33]

Data collected for 421 United States cities show that major cities significantly out-perform intermediary and small cities in employment creation in the information and manufacturing sectors.[34] Studies of European,[35] Australian, Latin American[36] and South African cities show similar trends.[37] What is also apparent from the literature is that smaller cities of fewer than 100,000 inhabitants tend to struggle compared with larger cities, and are far more vulnerable to economic turbulence.

Inequality and the perception of it are also important issues for i-cities. It is commonly assumed that an increase in inequality is an inevitable consequence of economic growth and urban development. However, there is little analytical evidence that relates economic inequality to a city's size and population. Although a study of Latin American cities, conducted by UN-Habitat and one of the development banks of Latin America, *Corporación Andina de Fomento* (CAF), indicates a correlation between city population and income disparity,[38] i-cities show a larger variation in income differentials, and widely varying success at reducing inequality. The availability of global evidence across a wider range of indicators – such as innovation, quality of life, literacy, human resources and infrastructure – is still limited. At least in Europe and Northern America, the pool of i-cities shows a growing gap between those able to innovate and those (usually smaller cities) that still lag behind. Central governments must take into account the negative impacts of these widening disparities between cities on regional economies and societies. Efficient multilevel governance must step up to this challenge by acknowledging i-cities' key contribution to territorial integration and cohesion, and by fostering impactful policies that hinge on the creation of balanced and integrated polycentric urban systems. **The reduction of inequality demanded by Goal 10 of the SDGs means that the 'good governance' of i-cities is still one of the most important catalysts of progress, participation and innovation, and a key tool in the challenge to 'leave no one behind'**.

As i-cities grow, they also generate their own internal economies of scale and local markets, and their economies tend to diversify

2.2 EVOLUTION OF URBAN GOVERNANCE AND FINANCING OF I-CITIES

I-cities are embedded in specific institutional and legal frameworks inherited from long-standing social and political arrangements within each state. Across different regions, the process of decentralization and devolution of administrative functions, sharing a number of common elements, is already underway. Legal frameworks conceived to foster local autonomy have made possible the transfer, to varying degrees, of resources and responsibilities to i-city governments.

2.2.1 The implementation of local governance: purpose and design

Decentralization – defined as the devolution of responsibilities and functions from central to both intermediate (e.g. regions, provinces or departments) and local governments – almost always comprises three fundamental dimensions: political, fiscal, and administrative. Its success is dependent, first and foremost, on the outcome in the balance of power between different levels of government and the functionality of administrative powers and fiscal resources to enforce such a process.

In many developed countries with a long history of decentralized governance, the legal and institutional frameworks that determine the functional responsibilities and fiscal powers of local governments are, in general, better established and elaborated. This is in spite of the difficulties and drawbacks inevitably experienced by many of them. Generally speaking, i-cities have been assigned explicit mandatory and elective expenditure responsibilities, as well as fiscal powers in terms of revenues, transfers and borrowing authority. They have also been empowered with a set of effective rules and regulations that help local governments to operate in a more efficient, transparent and accountable manner.

In many developing countries, the legal and institutional framework conditions for good local governance are not yet in place. Legislation that may further detail the distribution of fiscal powers and responsibilities often remains ambiguous, fragmentary and incomplete. The same goes for subsidiary rules and regulations. As a

result, local governments – including i-cities – lack the institutional incentive and capacity to efficiently exploit their developmental potential and manage their financial resources.

In Europe, reforms at both the national and the supranational level were instrumental in the promotion of new forms of governance that have also involved i-cities. For several decades now, the continent has seen a continuing, though sometimes uneven, trend towards greater democratic decentralization to the local and regional levels, as evidenced by the European Charter for Local Self-Government.[39] The role of local government has grown considerably. The 2008 financial and economic crisis has, however, affected sub-national reforms in the form of territorial reorganization (e.g. amalgamation of municipalities or other tiers of sub-national governments in some countries); generalized budget restrictions that reduced public investments (sub-national public investments, for instance, fell by more than 20% between 2009 and 2013) and, in some cases, recentralization of competences.[40] At the EU level, however, several programmes aimed at enhancing municipal administrative capacities have targeted i-cities in particular.[41]

Meanwhile, Latin America is now reaping the benefits of a 30-year-long wave of decentralization that built on the democratization of participative processes at the local level and strengthened the governance of i-cities. Multi-party local elections are now a reality throughout all countries of the region (with the exception of Cuba). Positive spill-overs of this empowerment of citizen participation have slowly and steadily elicited a transfer of both policy competences and financial capabilities from the central to the local level of government – although a few contexts (Costa Rica, Panama, and Uruguay) have shown stronger resistance until recently to such trends.

In the Asia Pacific region, decentralization reforms in South-eastern Asia, have brought about major institutional innovations for local policy-making and management, including in the traditionally highly centralized contexts of Indonesia and the Philippines, and, to a lesser extent in India (South Asia). The OECD countries in the region – Australia, Japan, the Republic of Korea and New Zealand – have also emphasized the empowerment of sub-national governments during processes of administrative reform. Countries such as China and Vietnam have adopted decentralization strategies at administrative and financial levels within an overall context of strategic economic modernization. Other countries, such as Pakistan, have experienced successive cycles of centralization and decentralization. At the same time, higher tiers of government in Asia have often managed to retain control over local governments, mostly through the power of appointment which is only symbolically ratified by local councils, or through administrative controls and very limited transfer of resources. This phenomenon is also visible in the MEWA region where, with the exception of Turkey, central governments have retained tight control of policy and seldom devolved any competences to lower levels.[42]

In Africa, a formal wave of decentralization policies swept the continent during the 1990s and the constitutional reforms of the 2000s.[43] Nonetheless, with some exceptions (e.g. South Africa, Morocco), the actual implementation and devolution of these programmes and plans has been incomplete, inconsistent and sporadic at best. Despite African nations approving a charter on decentralization in 2014, political traditions and conflicts continue to hamper such efforts across the African continent.

Where it has taken place, the empowerment of sub-regional units with decision-making powers has structurally transformed i-cities' governance. While acknowledging the responsibilities of local government, the institutional framework has not, however, led to a clearer distribution of skills and competences. In many cases, especially in countries with a strong central state, the definition of the appropriate distribution of power is still a fluid process.

Photo: Elias Afassi - N'Dali (Benin).

It is not uncommon for central governments to oppose local ones on the grounds of preserving the general interest over and above a city's particular local needs, thus calling into question local governments as drivers of change. Higher-tier resistance to substantive decentralization is even more apparent in the case of i-cities, mainly because of the disparity of resources between these two levels of government and the overwhelming influence that interest groups have at the regional and national levels. There have been few examples of i-cities that have managed to surmount resistance from either central government or powerful economic actors.[44]

I-cities need an enabling and adapted legal and institutional environment. National policies should address i-cities' specific issues through customized decentralization, to create a flexible, multi-layered system that adapts devolved responsibilities to different i-city contexts. They should clarify the shared responsibilities between the various levels of government based on the principle of subsidiarity and reduce the overarching rules and regulations that overburden the limited capacities of i-cities. These reforms could strongly contribute to the achievement of Goal 16.6 of the SDGs ('Develop effective, accountable and transparent institutions at all levels'). National governments should involve i-cities in decision-making processes related to decentralization and national urban policy (NUP). This requires mechanisms for regular dialogue and cooperation between i-cities, national and regional governments, to facilitate complementarities and deliver more integrated territorial governance.

I-cities need an enabling and adapted legal and institutional environment

2.2.2 From open politics to participatory governance

The accountability of local representation plays a significant role when it comes to assessing governance performance and the delivery of policy outputs to the local populations of i-cities. Open politics at the local level, with concrete policies to ensure civil society actively participates in the process, has become essential to the fairness, responsiveness and effectiveness of local governance.

Many initiatives to achieve and improve political accountability in i-cities have taken place by creating channels for citizens' cooperation and direct participation in public affairs. Public consultations and deliberation; extensive collaboration with organized social groups; institutionalized contact with government officials; and systematic pressure to increase budget and decisional transparency, as well as to accept popular initiatives, have been just some of the most visible indicators of the transition towards participatory governance at the local level. Mayoral consultation, referenda and participatory municipal budgeting have all been implemented in more than 3,000 cities in different countries, with further development needed to achieve an open, transparent and legitimate mandate for local governments worldwide.[45]

Local democracy and citizens' participation in local decision-making are crucial to support strong local government and development processes, and to achieve 'inclusive, participatory and representative decision-making at all levels' (Goal 16.7 of the SDGs). **I-cities' must create an enabling environment for direct civil society participation and the involvement of other civil society actors in creating the vision, content, monitoring and evaluation of public policies. Gender and anti-discriminatory approaches to citizen engagement are crucial to enhancing local democracy and inclusiveness in all policy and decision-making processes.** Goal 5 of the SDGs, for instance, addresses gender equality, in particular Goal 5.5, which calls for 'women's full participation and equal opportunities for leadership at all levels'. I-cities' can significantly benefit from establishing systems for monitoring public opinion about local public policies and programme performance.

2.2.3 Fiscal decentralization

There are certainly large differences in the volume of financial resources that i-cities across the world have at their disposal, and in the ability of different i-cities to access these resources. Table 2.3 shows the total revenue per capita per year of 19 i-cities. These range in order of magnitude (largest to smallest) from USD 5,612 in Aberdeen, United Kingdom, through to USD 644 in Monteria, Colombia, and USD 0.31 in Kenema, Sierra Leone. I-cities in OECD countries receive by far the most revenue per capita; i-cities in Africa and Asia receive the least, and those in Latin America fall in the middle of the spectrum.[46]

Importantly, there are also significant variations in where i-cities draw their revenue from. While a considerable number obtain most of their income from local revenue sources, many of them are heavily

Table 2.2 **Municipal budget: revenue, total and per capita for selected i-cities**

Source: Gundula Löffler, Analysis of the state of local finance in intermediary cities. To access this document with original data: http://www.gold.uclg.org/reports/other/gold-report-iv?qt-reports_gold_iv=2

INTERMEDIARY CITY	Country	Population	Total revenue (in USD)	Total revenue per capita (in USD)	Own revenue (in USD)	Own revenue as share of total revenue (%)	Intergov'l transfers (in USD)	IIntergov'l transfers as share of total revenue (%)
Saskatoon	Canada	248,700	276,933,309	1,114	232,022,453	83.8	44,910,855	16.2
Peterborough	Canada	78,700	211,044,965	2,682	151,377,519	71.7	59,667,447	28.3
Freiburg	Germany	230,542	838,805,311	3,638	577,518,508	68.9	261,397,776	31.2
Leipzig	Germany	526,909	1,388,328,786	2,635	856,358,845	61.7	531,969,941	38.3
Bristol	United Kingdom	442,500	2,171,129,880	4,907	1,025,332,711	47.2	1,145,797,168	52.8
Aberdeen	United Kingdom	196,670	1,103,790,822	5,612	502,835,018	45.6	600,955,804	54.4
Polokwane	South Africa	642,183	141,731,803	221	95,945,832	67.7	45,785,971	32.3
Matlosana	South Africa	433,973	121,637,691	280	86,873,134	71.4	34,764,558	28.6
Bo	Sierra Leone	149,957	53,542	0.36	20,514	38.3	33,028	61.7
Kenema	Sierra Leone	128,402	40,370	0.31	15,408	38.2	24,961	61.8
Iwo	Nigeria	224,550	3,237,533	14	71,703	2.2	3,165,830	97.8
Pekalongan	Indonesia	275,241	27,667,913	101	1,634,133	5.9	26,033,780	94.1
Langsa	Indonesia	140,267	23,715,334	169	1,630,770	6.9	22,084,564	93.1
General Santos City	Philippines	538,086	31,174,093	58	12,529,209	40.2	18,644,884	59.8
Lucena City	Philippines	246,392	13,326,453	54	5,299,701	39.8	8,026,752	60.2
Cucuta	Colombia	566,244	242,481,541	428	57,970,204	23.9	184,511,337	76.1
Monteria	Colombia	288,192	185,703,370	644	53,450,200	28.8	132,253,170	71.2
Feira de Santana	Brazil	556,642	221,875,911	399	61,715,088	27.8	160,160,823	72.2
Guarapuava	Brazil	167,328	88,482,758	529	23,700,989	26.8	64,781,769	73.2

reliant on intergovernmental transfers to meet both recurrent and capital expenditure costs. Intergovernmental transfers tend to have a less important role in more developed cities, as they are usually in a better position to meet their expenditure needs through other revenue sources. There are also significant exceptions to this trend (e.g. Matlosana and Polokwane in South Africa). **Dependence on intergovernmental transfers can create problems for i-cities' budget planning and execution, for example when transfer amounts are difficult to predict, disbursement is unreliable, or when transfers are subject to significant conditionality**.

As regards the composition of local revenues, local taxes play the biggest role in most i-cities. One common source of revenue is taxes on business activity (e.g. business licensing taxes, market fees, trading taxes).[47] While some business taxes are widespread in developing countries due to their ease of collection (e.g. in China, Kenya, Rwanda, Ivory Coast, Brazil, Venezuela and the Philippines, among others), their importance tends to be limited in OECD countries (e.g. in France, Belgium, Germany, the United Kingdom, Switzerland, and in some states of the United States). Taxes on land and immobile property are also largely devolved to local governments in both developed and developing countries, although there are significant discrepancies regarding the effectiveness of their exploitation. In most developed countries, property taxes tend

to be administered effectively in all types of urban settlements, while in developing countries effective property and property transfer tax collection is often limited to metropolitan areas. Despite their substantive revenue potential, many i-cities in Africa, Asia and Latin America often fail to systematically collect these taxes. This is due to their fairly complex administration but also because of political economy issues (with important exceptions such as Colombia, Mexico, Argentina, Chile, Guinea, Tunisia, and several federate states in India). [48]

Other local revenue sources are local fees and user charges. Their contribution to local budgets, however, varies considerably – e.g. Freiburg, Leipzig (Germany), Lucena City (the Philippines) or Cúcuta (Colombia) only collect between 0.2% and 4.9% of their budget from fees and user charges, while in Peterborough (Canada) and Matlosana and Polokwane (South Africa) this share is as high as 31.3%, 68.5% and 64.2% respectively. These significant differences are partly explained by the wide range of services for which the cities charge directly.[49]

In developing countries, the access to and quality of local infrastructure and basic services is often more problematic in i-cities, although there are important regional differences

Land development payments that serve to capture increases in value from public infrastructure development are another relevant land-related revenue source. Here, i-cities need to catch up. In most large and intermediary cities in Europe and Northern America, local governments make these assets work for them effectively. In developing countries, the track record of i-cities with regard to their use of public assets is somewhat mixed, mainly due to poor management, including recording, valuation and depreciation of public assets.

Another means for local governments to access additional capital is through borrowing. In most developed countries, both large and i-cities routinely borrow financial resources. Countries such as the United States, Canada, Belgium, Finland, Sweden, France and Spain have established bond banks that facilitate local governments' access to bond markets.[50] In contrast to this, municipal borrowing in the developing world is often limited to metropolitan areas. In Brazil, for example, the three metropolitan cities of São Paulo, Rio de Janeiro and Salvador de Bahía account for about 75% of total local borrowing.[51] In South Africa, only 26 out of 283 municipalities took out loans in 2008, including all the country's larger cities and metropolitan areas.[52] With some exceptions (Indonesia, Colombia, the Philippines, and South Africa), i-cities frequently suffer from poor creditworthiness, aggravated by administrative and regulatory restrictions and the immaturity of national financial markets.[53] Without improved public sector financial management and credit status, many smaller i-cities are completely excluded from public and private sector capital bond and lending markets.

In summary, many i-cities have tremendous untapped financial resources. National and regional governments should ensure adequate financing of i-cities to unlock their potential as catalysts for territorial development. Local governments need financial powers and autonomy to generate local revenues and access to different funding sources, and to experiment with innovative financing models. These will be instrumental in contributing to Goal 17.1 of the SDGs, to 'strengthen domestic resource mobilization, (...) improve domestic capacity for tax and other revenue collection'. For their part, i-cities must enhance accountability mechanisms (performance monitoring, transparent budgets and public procurements systems, adequate public asset management) to ensure sound municipal governance – and thereby respond to SDGs' Goal 16.6 ('effective, accountable and transparent institutions at all levels'). Steps must be taken to improve local governments' borrowing capacity. Central or regional governments need to establish or reinforce mechanisms like municipal development funds and municipal banks in order to leverage access to credit or capital markets for long-term infrastructure investments adapted to cities' needs. International institutions and donors must give greater priority to the targeting and weighting of official development assistance (ODA) funding to i-cities' governments for development in low and lower middle-income countries. All these steps are consistent with the overarching commitments adopted by national governments and international institutions in the Addis Ababa Action Agenda for financing sustainable development and developing sustainable finance (paragraph 34).

2.2.4 Improving basic service management

The process of political and administrative decentralization towards local governments has allowed them to take on important responsibilities in various public policy areas. I-cities are typically responsible for the

provision of a wide range of infrastructures. These vary considerably from one country to another but include roads, public transportation, water and sanitation systems, schools, health centres, and other public amenities. All these services are critical for the quality of life of local communities and the achievement of several key SDGs e.g. Goals 1, 3, 4, 6, 7 and 11.

In developed countries, most i-cities are able to provide universal access to high-quality public services and have a record of good infrastructure management (see, for instance, the case of Fredericton, Canada, in Box 2.1), even if there are significant regional differences. However, an increasing number of i-cities face growing budget constraints and, particularly in Northern America, ageing infrastructures, deferred maintenance issues, adaptation to new structural challenges (e.g. climate change effects), as well as access inequalities.[54]

In developing countries, the access to and quality of local infrastructure and basic services is often more problematic in i-cities, although there are important regional differences. Based on a sample of cities in different regions, UN-Habitat calculates that in Latin America and Eurasia, between 75% and 88% of urban households are connected to piped water and between 65% and 71% to sewerage systems. Meanwhile, in Africa and Asia, the percentages are around 50% for piped water and 43% in Asia and 28% in Africa for sewerage. In all regions except Eurasia i-city household connections are in general between ten and 20 points below those in metropolitan areas. Connections to electricity vary from 69% on average in Africa to 99% in Eurasia and 96% in Latin America. But household connections in i-cities are in turn five to 15 points below those in metropolitan areas.[56]

As mentioned above, many i-cities are heavily reliant on central government grants and do not have the revenues to provide universal service access and support the expansion of services to newly urbanized areas. Studies of public capital expenditure on infrastructure show that there are significant differences in the levels of urban investment, which is heavily biased towards major and capital cities.[57] In some cases, the deterioration of basic services is linked to the structure of intergovernmental transfers, which tend to disregard local government expenditure needs in maintenance and repair of services and concentrate allocations on new investments.[58]

BOX 2.1 GOOD PRACTICE PLANNING, INFRASTRUCTURE MANAGEMENT IN FREDERICTON, CANADA

Fredericton is the capital of the Canadian province of New Brunswick and is located in the west-central portion of the province, along the Saint John River. One of the main urban centres in New Brunswick with a population of 56,224 (2011), this small i-city is the third largest city in the province. Fredericton is a quintessential Northern American or European i-city. Once a lumber town, it has undergone significant structural changes, with education now being its largest employment sector. As a small city, it paid very careful attention to the planning, management, and maintenance of infrastructure, which is affected by extreme weather conditions during the winter. Fredericton's infrastructure is currently valued at more than 1.3 billion Canadian dollars. This translates into an investment of over 43,000 Canadian dollars per property in general fund infrastructure, and 30,000 Canadian dollars for each connected property of fund utility infrastructure.[55]

As a consequence, infrastructure in i-cities tends to be much older, poorer, and less well-maintained than in larger metropolitan regions, hampering i-cities' potential for sustainable development as well as severely disincentivizing future investment.[59] The major deficits relate to water and sanitation, electricity and urban and inter-urban mobility. Long-distance high-speed rail investments have in many cases delayed the modernization of local railway services, especially in Europe. The situation is even more critical for inland and landlocked i-cities in developing countries, as the lack of connectivity hampers their growth. This is strongly emphasized in the Abuja Declaration for Habitat III ('Africa's Priority for the New Urban Agenda', published on 24 – 26 February 2016), which calls for 'well-connected cities and human settlements at national and regional levels as nodes of growth... enhanced connectivity between rural and urban areas to harness the full potential of the rural-urban linkages' and to 'take advantage of urban corridors at the regional level for related infrastructural and other initiatives'.[60]

As an alternative to increasing public debt, Public-Private Partnerships (PPPs)

BOX 2.2 INTER-MUNICIPAL COOPERATION MODELS

Forms of cooperation between local authorities range from simple 'areas of cooperation' (e.g. Spain's *comarcas*) to associations (e.g. Spain's *mancomunidades de municipios*, *associações* in Portugal, France's *intercommunalités*, or Italy's *unioni di comuni*) or syndicates, as in the Netherlands. Some of these models reveal the creation of an integrated inter-municipal entity, with pre-determined functions. Others are more flexible, with schemes that build on looser legislative and institutional frameworks. Local authorities engage, accordingly, mostly in ad hoc joint delivery of services, whose technical or administrative complexity vary extensively and that are generally under the jurisdiction of ordinary law and contractual procedures. Bulgaria, the Czech Republic, as well as the United Kingdom are usually associated with this kind of cooperation arrangement. A third model consists of special districts for specific services and this is widespread in the United States e.g. school or water service districts.

Local governments in France have developed a unique model of inter-municipal cooperation. The legislative framework of French *intercommunalités* was created by its Public Institution of Inter-Municipal Cooperation (*Établissement Public de Coopération Intercommunale* - EPCI), and their powers are limited to areas and matters that are pre-established by the law or delegated to them by member municipalities. The defining element of France's *intercommunalités* is that they enjoy the right to collect taxes. The EPCI scheme has grown steadily in the last few decades. In 2016, the EPCI framework included close to 12,000 entities and more than 3,000 syndicates, including 12 metropolitan hubs.[63]

In Spain, as of 2016, there are 922 active inter-municipal cooperation institutions (*mancomunidades de municipios*) that do not have any tax collection powers. Evidence indicates that these schemes involve a majority of small municipalities that alone would be unable to take care of basic service provision. The Philippines also provides an interesting insight into the second general model of inter-municipal cooperation. The PALMA (Pigcwayan, Alamada, Libungan, Midsayap, Aleosan) Alliance brings together small municipalities of North Cotabato that are remote from big urban centres and usually highly dependent on fiscal transfers from central government. These municipalities developed an inter-municipal agreement whereby six local governments started sharing their heavy machinery. As a result, each member municipality was able to open and maintain all-weather roads without using contractors. Other strong examples of inter-municipal cooperation can be found in Latin America.[64]

have been widely promoted as a means of improving efficiency in service provision and overcoming capital constraints. However, many countries – mainly but not exclusively developing ones – still lack adequate legal frameworks. I-cities, moreover, are often not attractive enough to private service providers and may lack the bargaining power to effectively negotiate convenient arrangements with the private sector. PPPs are often difficult to assemble in the context of limited resources and i-cities have approached this instrument with great caution.[61]

A different type of PPP plays a role in some countries of Asia, Africa and Latin America and, in particular, in their i-cities. As mentioned in Chapter 1 on metropolitan areas, small private enterprises in both the formal and informal sectors (e.g. individual operators and cooperatives), as well as partnerships with local communities (public-people partnerships) play an important role where the quality and extent of such provisions by official service providers are lacking.[62]

Inter-municipal cooperation is another important mechanism for smaller i-cities to overcome their limited capacities in service provision. The concept of inter-municipal cooperation spans the whole range of institutional relations between two or more municipalities that agree to share common operative functions and features. The degree of institutionalization of such cooperation may vary significantly and has an impact on the scope and effectiveness of these schemes (see Box 2.2).

The strengthening of public service management is critical to improving access to basic services. These services are often carried out in i-cities by local government departments or public providers. **Their effectiveness must be improved by investing in human and technical resources, implementing modern management systems and strengthening inter-municipal cooperation.** Stronger partnerships between local governments (that have the responsibility to deliver public services) and key stakeholders (such as central governments, service operators, trade unions and civil society) are needed. Local authorities, therefore, need clear legal frameworks and support to negotiate PPPs, especially in intermediary and smaller cities that do not have the power or capacity of the large metropolises.

2.3 INCLUSIVE PLANNING FOR A SUSTAINABLE URBAN DEVELOPMENT

Urban and territorial planning has played a significant role in the local politics of many cities throughout the 20th century. Planning allows cities to make their own growth projections compatible with the preservation and valorization of their economic, social and environmental assets. Whenever it has coincided with robust and effective legal frameworks, responsible leadership and an informed citizenship, urban planning has become key to protecting the city's scale by fostering neighbourhood compactness, social inclusion and functional diversity; revitalizing the public space; rationalizing mobility and urban infrastructure and taking advantage of key resources such as historical heritage and the natural environment.

SDGs place great emphasis on 'participatory and integrated planning' to build inclusive and sustainable cities (SDG 11.3). In this regard, policies should consider the growing gap between advanced and developing economies. In European and Northern American cities, urban planning is a traditional component of local public management and has been one of the key competences that has allowed many i-cities to become an alternative to metropolitan areas, because of the attractiveness of their land availability for business and residential use, territorial interconnectedness, and quality of life. Conversely, planning in i-cities in developing countries has generally been weaker, with important exceptions in Latin America, North and Southern Africa and some countries in Asia. Many of these cities face challenges that stem from the accelerated processes of urban growth: settlement informality and peri-urbanization, inequality and the concentration of poverty pockets and environmental degradation. According to UN-Habitat,[65] most developing economies have left urban planning and land-use control in i-cities of fewer than 500,000 inhabitants fully in the hands of central and regional governments, resulting in inefficient outcomes.

Local governments in i-cities have an obligation to plan according to the needs and expectations of their citizens (and the right to access adequate means to do so), in collaboration with neighbouring municipalities, sharing with them the decision-making process on development plans. To do so, they need an effective multilevel governance framework to work within, they need to strengthen their human-scale proximity, anticipate and amend the externalities of uncontrolled peri-urbanization, and benefit from technology adoption to make their urban ecosystems more resilient, sustainable and smarter. These dimensions are analyzed in further detail throughout this section.

2.3.1 Strengthening urban governance and planning methods

Good governance is the foundation that allows i-cities to respond to the challenges imposed by urbanization. Weak national and regional legislative frameworks, inadequate technical and financial resources throughout the public administration, and the exclusion of citizens from the decision-making process are all factors that affect planning and its overall effectiveness.

Good governance is the foundation upon which urban planning in i-cities can respond to the challenges imposed by urbanization

National urban policies (NUPs) and the legislative frameworks they establish can provide planning decisions with legal certainty. In many countries, however, such frameworks are obsolete and have not been updated or adapted to acknowledge the specific needs of those i-cities facing rapid transformation. Efficient urban planning, at the same time, requires a trained[66] group of officials and professionals that are aware of, and committed to, the challenges and capabilities of local governments.

The mismatch between urban planning instruments and the realities in which they are applied also partly explains their low impact. Master plans,[67] for instance, are still the main instrument of spatial and land-use management applied in many European cities. They tend to be rigid legal tools designed to cover an extended timeframe. They are also extremely costly, both economically and technically, and have not been flexible enough to adapt to rapid urban changes. Even in contexts characterized by low demographic pressures, as in many European i-cities, the projections and expectations upon which local plans have been based will require constant revision and update.

In many i-cities in developing countries insufficient resources and capabilities have affected the effectiveness of these tools and weakened local urban planning.[68] Other approaches, such as strategic planning, have emerged over the last few decades, promoting a more flexible and inclusive vision on short and medium-term policy outcomes. Instruments such as the City Development Strategy (CDS)[69] recommend linking spatial planning to economic, social and environmental actions, prompting coordination between citizenship and institutions through more participatory channels. Many African, Asian and Latin American i-cities (see Box 2.3) have used strategic planning as a 'roadmap' to prioritize public investment, for example fostering the local economy; strategic renovation projects for old towns and historic centres to promote tourism; investment attraction for new economic areas; public space recovery, or the reduction of environmental vulnerability.

Similarly, in developed countries, an i-city such as Bilbao (Spain), for example, has modelled its strategic plan on increasing the international profile of the city through the transformation of former industrial areas into iconic cultural spaces, thanks to the inclusion of key actors including the Guggenheim Foundation. Other examples can be found in other European i-cities such as Valencia (Spain), Cottbus (Germany), Delft (the Netherlands) and Gdansk (Poland). Strategic planning has been popular in Latin American cities since the 1990s through city networks such as the *Centro Iberoamericano de Desarrollo Estratégico Urbano* (CIDEU),[70] and cities such as Trujillo (Peru) have pioneered the adoption of strategic planning to address integration issues across their urban fabric. More recently, Nampula (Mozambique) has structured its CDS around the commitment to strengthen institutional capacity and citizenship participation, especially in marginal neighbourhoods and slums. I-cities such as Montepuez and Calbayog in the Philippines have modelled their CDSs to foster agro-industrial sustainability of their main economic activities, mobilizing significant resources for infrastructure and housing.[71]

Many countries have included in their urban legislation an obligation to involve their citizenship in the different stages of the urban and territorial planning process. Cities such as Bristol (United Kingdom), with its 'Campaign Creator', have actually strengthened its participative democracy by offering its citizens frequent and ongoing opportunities for consultation. Citizen participation goes far beyond the drafting of urban planning designs. Monitoring programmes and regular evaluation schemes established by many urban communities have been key mechanisms to institutionalize grassroots participation. Many Brazilian cities, such as Maringá or Canoas, have engaged citizens in their Participative Directive Plans[73] and improvements in the tax collection system and participative budgets of their municipalities. African i-cities such as Kisumu (Kenya), Manhiça and Xai-Xai (Mozambique), Gweru (Zimbabwe) or Entebbe (Uganda) are also good examples of participative experiences. In Benin, 24 intermediary and small cities developed plans for environmental intervention in 1,300 selected projects, of which 217 were fully implemented by their citizens between 1997 and 2011.[74]

BOX 2.3 I-CITIES IN THE INTER-AMERICAN DEVELOPMENT BANK'S AGENDA

The Emerging and Sustainable Cities Initiative (ESCI) is a technical assistance programme that is providing direct support to local and central governments of Latin America and the Caribbean in the development and execution of their urban sustainability plans, with particular reference to i-cities. The ESCI adopts a comprehensive and interdisciplinary approach that identifies, organizes and prioritizes urban interventions in order to tackle the main hurdles that hamper a city's sustainable growth. This cross-sector approach builds on three main pillars: (i) environmental and climate sustainability; (ii) urban sustainability; and (iii) fiscal and governance sustainability.

Established in 2011 with five participant cities – two of which were the i-cities Trujillo (Peru) and Santa Ana (El Salvador) – by 2015 the ESCI encompassed 57 cities with a total population of around 52 million people. It has already supported the editing of action plans for i-cities such as Cumaná (Venezuela), Valledupar, Pasto, Monteria, Bucaramanga, Pereira and Manizales (Colombia), Santiago de los Caballeros (Dominican Republic), Salta and Paraná (Argentina), Montego Bay (Jamaica), Florianópolis (Brazil), Valdivia (Chile), Cuenca (Ecuador) and Cochabamba (Bolivia).[72]

To achieve Goal 11 of the SDGs, and more specifically targets 11.3 and 11.b ('number of cities and human settlements adopting and implementing integrated policies and plans'), **i-cities need to be mobilized systematically.** In developing countries i-cities need human resources, access to new technologies and other instruments to develop and enforce integrated urban planning and land use, applying flexible and simplified approaches, strengthening the involvement of communities and collaborating with other levels of government within cities. National governments should revamp the legislative frameworks and reshape available policy instruments to reflect the current needs of their cities. More experienced i-cities can serve as a reference in territorial management for other i-cities to strengthen their capacities and train their officials through decentralized cooperation. This is especially critical in rapidly growing urban areas in, for example, Sub-Saharan Africa and Asia.

In the context of i-cities, the concept of 'Right to the City' (see also Chapter 1) **should be rephrased as a 'right to the plan' and foster inclusion and participation in the design of urban plans** (see also SDG Goal 11.3). Participative plans and budgets need the population to have access to participatory spaces and information and the ability to follow and evaluate these processes. Unlike metropolises, the proximity scale of i-cities can actually become a competitive advantage by reducing the complexity of planning processes as well as enhancing coordination among social actors, including the most vulnerable groups and communities.

BOX 2.4 DYNAMIC, STRATEGIC, PARTICIPATORY AND LOW-COST PLANNING: THE BASE-PLANS FOR I-CITIES

The UNESCO Chair in Intermediary Cities and World Urbanization (University of Lleida, Spain) and the UIA-CIMES network of the International Union of Architects have, since 2003, been applying the base-plan method in more than 150 local, regional, provincial and national governments in Europe, Africa, Asia and Latin America. The programmes were implemented by cooperating directly with national governments (with the Ministries of Urban Development and Housing in Ecuador in 2013, for instance, or of Costa Rica's in 2015) or regional governments (as was the case in the Santa Fe province, Argentina), in partnership with UCLG and with the participation of UN-Habitat.

Compared to conventional approaches, the base-plan method is a flexible, functional, simple and economical urban and strategic planning methodology. It serves as the government's and citizens' first contact with urban policies: it lays the groundwork for dialogue and cooperation on urbanism and the urban policies that follow. The key objective of the base-plan is to prioritize urban policy actions that overcome any negative inertia and increase leadership and its capacity to take up the challenge of creating (in the local administration and community) an effective, efficient and responsible urban policy. Examples of what can be achieved can be seen in the base-plans developed in the twelve African cities of Oran and Constantine (Algeria), Tangier (Morocco), Lubango (Angola), Sikasso (Mali), Lichinga, Manhiça and Caia (Mozambique), Wukro (Ethiopia) and Oussouyé (Senegal).[75]

2.3.2 Towards human-scale cities: planning compactness and public spaces

The impact of urban and demographic transitions and the difficulties for local governments in developing and implementing their plans have contributed to the emergence of unsustainable levels of urban sprawl and land use in many i-cities – in particular those around metropolitan areas. The impact of this has cascaded into peri-urban areas, affecting in particular the livelihood and natural resources of rural populations closer to the city.

Compactness is essential for cities to preserve a 'human scale' and lower the costs associated with urban layout, infrastructural maintenance, services and mobility.[76] It is advisable to promote urban policies that avoid low-density dispersion by designing new urban extensions that are as dense as more centric areas, while preserving indispensable urban public areas for roads and green spaces. Compactness is also essential for a city to support inclusive and cohesive strategies of functional integration: new land use should imply proximity of housing and economic activities, education and leisure, with public space designed through the lens of sustainable mobility.

Compactness has been a planning and urban management tool used by many European cities. Policies on compactness have focused on an increase in density in specific urban areas and, at the same time,

the concentration of large parts of new public spaces within a 'green belt'. Conversely in the United States, planning has been a vehicle for further urban dispersion and increasing socio-spatial segregation, with expansive suburbs characterized by high dispersion and specialized low-density peripheries that have often been divided along ethnic lines, all structurally dependent on private motorized transportation. In developing economies, peri-urban dispersion phenomena have, by and large, involved low-income or otherwise vulnerable groups. An inland i-city such as Cuenca (Ecuador), for instance, increased its population and urban footprint at similar rates in 2005, thereby maintaining its compactness, while between 2005 and 2010, the footprint of its new peri-urban extensions grew at twice the rate of population growth.[77] At the same time, especially in larger i-cities, a trend of gated communities and neighbourhoods – typically associated with an emerging middle class and their concerns about safety and security – has also proliferated, as in the case of Valdivia (Chile) or San Pedro Sula (Honduras).

Intermediary cities, more than other urban agglomerations, face the challenge of making compactness and human scale compatible

Public space is vital for sustainable cities. This is particularly true for those i-cities that invest in their compactness. In these cases, it is the public space that allows citizenship to control the human scale of a city by looking strategically at walkable distances or a progressive reduction in polluting motorized mobility. In many Latin American i-cities such as Cuzco (Peru) or Antigua (Guatemala), the *Plazas de Armas* - the old city's central squares - are the heart and core of the city, a meeting point for both tourists and residents, and most of the city's leisure, accommodation and restoration opportunities tend to concentrate in this area. Similarly in Northern African and Middle Eastern cities, such as Tetouan and Essaouira (Morocco) or Esna (Egypt), the *souq* is generally the city's commercial centre. Food markets have historically been the primary setting of goods and service exchange between urban and rural areas. Informal markets and street sellers[78] also contribute to the liveliness of certain neighbourhood hubs and public spaces in Sub-Saharan African cities such as Matola, Inhambane or Nampula in Mozambique,[79] and in South-eastern Asian cities. In smaller Indian i-cities, public spaces tend to reproduce the traits of the settlement's rural identity, with narrow pedestrian-sized streets that lead directly to the large rural farmlands in the surrounding areas.[80]

Intermediary cities, more than other urban agglomerations, face the challenge of making compactness and human scale compatible. **They can do so by promoting density, fostering a transition to multi-household dwelling models and finding an optimum balance between mobility networks and public spaces.** Such a transition, however, has to go hand in hand with a public policy blueprint that helps the most vulnerable parts of the population gain access to decent housing. I-cities need to develop urban policies and projects to protect their tangible and intangible heritage values, preserve the quality of life and increase their attractiveness. In this regard, the improvement of the quality of public spaces plays a major role. Both dimensions are at the centre of Goal 11 of the SDGs, and more specifically of Goals 11.4 ('protect and safeguard the world's cultural and natural heritage') and 11.7 ('provide universal access to safe, inclusive and accessible, green and public spaces').

2.3.3 Access to land, housing and informal settlements

As with most metropolises, many i-cities in low and middle-income countries are coping with increasing environmental, economic and social deficits with regards to access to land and decent housing. I-cities regardless of size have experienced processes of informal settlements, although without the same media fanfare accompanying the paradigmatic slums of larger metropolitan agglomerations with high density and extreme living conditions. As discussed above, the local administrations of many of these i-cities are still severely affected by the systematic lack of tools and resources, in spite of the demographic growth and urban footprint expansion they have experienced.

In developed economies, the proportion of informal unserviced slums is small. Nevertheless, the problem of affordability is a critical issue, especially accessibility to adequate housing. As discussed in the previous chapter, the global financial crisis of 2008, compounded by the reduction in social housing stock in the past few decades (in particular in Southern European countries) and a sizeable shortfall in net housing supply, has had a significant impact. This has further hindered the ability of low and middle-income citizens, as well

as vulnerable groups (e.g. younger people or the unemployed) to access decent housing options and exacerbated social inequality and income segregation in urban spaces.[81] To deal with its accelerated urbanization process, China has implemented strong, top-down housing policies.[82] These policies targeted a population of several hundred million people and were sometimes brought forward regardless of their high social and environmental costs. The inefficiencies of some of these policies have given rise to 'ghost towns'.[83]

In many other low and middle-income economies, access to land is the first step for the poor to gain access to a liveable place, and this is strongly dependent on different typologies of land access and land tenure. Paôy Pêt (Cambodia), for example, has taken advantage of its proximity to the Thai border to grow by some 50,000 inhabitants over little more than six years, following typically rural land-use patterns. Kupang City (Indonesia) offers an example of a different growth model, promoting compact and dense lots resembling those of larger cities. In India, informal settlements can be seen throughout its urban geography, with a stronger impact on megacities and metropolises than on i-cities which still show, in many cases, traits typical of growth in a rural environment.

These models differ sharply from the urban context of Sub-Saharan Africa, where informal settlements, primarily concentrated in peri-urban areas, have severely reduced the (already small) room for manoeuvre of local administrations. Larger i-cities such as Blantyre (Malawi) have experienced extensive low-density peri-urban growth and a centre-periphery distance of over 10km, and this has fundamentally disrupted any efforts by local administrators to provide quality urban services. Conversely, i-cities such as Sodo, Arba Minch and Hosaina (Ethiopia), whose populations have doubled in a decade, have managed to drive informal land use at city limits through the orthogonal zoning patterns of the city – an essential element of the provision of easier prospective urban services. Conversely, Latin American and Caribbean i-cities show significant rates of residents in informal settlements, though not comparable to those of their large metropolitan areas. The lack of public mechanisms to tackle access to decent housing has traditionally been addressed through strong community self-management, from land organization to the self-construction of houses. In many Latin American i-cities, informal areas have turned into perhaps the most organic form of urban expansion and – as multilevel institutions have increased investments at the neighbourhood scale – have gradually taken up the provision of urban services. In Antofagasta (Chile) most of the 40 *campamentos* mapped by TECHO,[84] comprising more than 2,000 households, have settled at the eastern limit of the city and lack urban services or paved roads, but their typology is similar to that of more consolidated urban areas.

Urban and demographic transitions are accelerating the expansion of informal settlements and the consolidation of precarious habitats in many regions. Because of their scale, intermediary cities can guarantee and provide basic housing needs to their citizenship more efficiently and cheaply than metropolitan areas – through their urban renovation policies, neighbourhood upgrade programmes, land-tenure provisions, and locally co-managed self-construction schemes. However, **i-cities must demand that their national and regional governments be granted adequate resources to progressively integrate informal settlements into the existing urban fabric, so as to improve compactness and avoid social segregation**. Proactive interventions by i-cities will contribute significantly to the achievement of related SDGs, and more specifically to targets 1.4 and 11.1.

Because of their scale, intermediary cities can guarantee and provide basic housing needs to their citizenship more efficiently and cheaply than metropolitan areas

2.3.4 Environmental sustainability and urban resilience

Environmental sustainability and urban resilience need to be integrated into planning processes in i-cities. As the number of inhabitants of i-cities gains parity with the number of people living in metropolitan areas, their impact on the environment should not be ignored if the ambitions and objectives enshrined in the SDGs and the Paris climate change agenda are to be met in time. Urban planning, supported by sustainable policies, can reduce i-cities' environmental footprint. Policy actions should include improved waste management and recycling (Goals 11.6 and 12.5 of the SDGs); reduced GHG emissions; efficient energy consumption through enhanced compactness and short mobility distances; and the protection of green spaces and better use of natural resources.

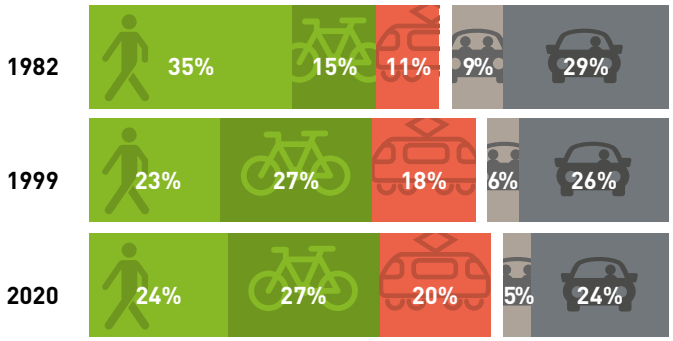
Many i-cities have rapidly become global reference points for urban sustainability.

BOX 2.5 FREIBURG: MOBILITY AND ENERGY TRANSITION

Source: http://www.freiburg.de/pb/,Len/646587.html

Freiburg has put into practice some inspiring initiatives to reduce GHG emissions and confront the impact of climate change. The goal is to achieve a 40% emissions cut by 2030 by transitioning to renewable energy sources, imposing tighter regulations on building energy consumption and promoting an efficient public transit system along with an improved cycling network (the objectives are shown in the graph below). Between 1982 and 1999, the proportion of all trips made by bicycle rose from 15% to 27%, pedestrian trips from 35% to 23%, the use of motor vehicles dropped from 38% to 32% and use of public transport rose from 11% to 18%. Freiburg now has more than 400km of cycling paths, including bike-friendly streets, street-side bike paths, and separate bike paths. About 9,000 bicycle parking spaces were provided, together with 'bike-and-ride' lots at transit stations to promote inter-modal transit. In 2011, the city council introduced a bylaw requesting that new buildings offer bicycle parking facilities. With 423 cars per 1,000 people, Freiburg has the lowest automobile density of any city in Germany.

The city has also achieved high levels of waste recycling. Every household or apartment building, for example, has separate bins for paper, food and garden waste (the 'bio-bin'), and non-recyclables ('rest-waste'). Freiburg reduced its annual waste disposal from 140,000 tonnes in 1988 to 50,000 tonnes in 2000. The city has attracted many 'green' businesses, for example there are more than 100 businesses working in the solar power industry. Freiburg has also attracted research organizations. Overall, the Freiburg area environmental economy employs nearly 10,000 people in 1,500 businesses and generates 500 million euros per year.[85]



Bristol (United Kingdom) has been recognized for its robust policies on promotion of public transport, creation of green spaces, biodiversity conservation and improved energy efficiency. Empowerment of civil society in the decision-making process and the expansion of the city's 'green economy' have both played a substantial part in these achievements. Meanwhile Freiburg (Germany), a pioneer of urban sustainability since the 1970s, is today a 'Green City' that has encouraged urban and economic development through the lenses of environmental policy, solar energy promotion and sustainability and climate change actions (see Box 2.5).

Bucaramanga (Colombia) is known as the 'city of parks' and since 2012 it has led the renovation of about 80% of public spaces through urban reforestation, monument renovation, and free Wi-Fi areas, creating over 120 new jobs for members of vulnerable communities. In 2008 Chiang-Rai, a smaller i-city in Thailand, introduced several initiatives to restore the losses in local biodiversity caused by rapid urban expansion, promoting the harmonious integration of local industries and the environment and rapidly becoming a reference point for other cities in the region experiencing similar issues.

I-cities can more easily transition towards planning, building and developing more resilient cities following the commitments adopted in the Sendai Framework for Disaster Risk Reduction which contribute to Goals 1.5, 11.3 and 11.b of the SDGs. A city's urban resilience measures the capacity of its population and habitat to absorb certain environmental, economic, or social impacts and overcome them in as short a time and at the lowest (human and financial) cost possible, transforming them into growth opportunities.

With regard to resilience strategies, a high-income i-city such as Christchurch (New Zealand) managed to emerge stronger from the 2011 earthquake crisis by improving its warning, coordination and seismic-protection systems, quickly becoming a global point of reference for the management of such risks.[86] On the other hand, many cities in developing countries of the Indian Ocean, Central Asia and the Caribbean, such as Léogâne (Haiti), are frequently on the cusp of a humanitarian emergency. Cities such as Quy Nhon (Vietnam) have developed response mechanisms to enhance their energy resilience in the face of critical events, by integrating into their urban planning design detailed studies about potential

water hazards.[87] Other studies suggest that i-cities in Sub-Saharan Africa may be more susceptible and less prepared to address severe climate change storm and earthquake damage and that resilience is generally slower because of weaker governance and financial capacity.[88]

The concept of the 'smart city', on the other hand, has evolved in tandem with the democratization – in both the public and the private spheres – of technology and social media networks. The implications of the smart city concept are still contested and debated in academic and practitioner communities, due to the inherent risk in allowing transnational technological providers to access and control relevant personal data. This notwithstanding, the positive impact of technology can still be invaluable when it comes to looking for new, effective responses to persistent urban problems. Led mostly by metropolises in advanced economies, the 'smartification' of cities has been a rapidly growing process that has involved, to a varying degree, urban geography worldwide. At the scale of intermediary and small cities, however, the concept of smart city has frequently referred to the use of technology to establish reliable virtual channels for citizen participation. Other cities have applied these advances in mobility-oriented applications with the direct involvement of the citizen-user (e.g. real-time sharing of information about public transit and parking), although the provision of free wireless internet connection through city-wide hotspots has perhaps been the most successful policy in this regard.

Ultimately, i-cities could have an advantage over metropolitan areas when it comes to fostering climate change plans and promoting adaptation and mitigation through sustainable policies. They should advocate a low-carbon, energy-efficient, risk-informed and resilient development pathway. Technology, moreover, can play a crucial part in preparing for an ecological transition – from an economy based on fossil fuel to a green economy based on sustainable energy. Compact urban form and neighbourhood functional diversity, together with the creative impulse of future generations, have to be the primary drivers of climate-friendly development. The Global Covenant of Mayors for Climate and Energy (see Box 4.1 in Chapter 1 for more details) has been actively committed to the fight against climate change and the reduction of GHG emissions and offers a significant opportunity of enhanced institutional activity and visibility for many i-cities around the world.

Photo: Pierre Martinot Lagarde - Negombo (Sri Lanka).

2.4 LOCAL ECONOMIC DEVELOPMENT

Intermediary cities face the crucial challenge of making their own local economies attractive to investment that can contribute to the overall wellbeing of their citizens. These cities, especially smaller ones, suffer from competitive disadvantages of scope and scale relative to larger urban agglomerations. In many countries, the strong concentration of resources in capitals and metropolitan areas has resulted in unbalanced access to services and investment and growing inequality, both among systems of cities and between the urban and rural environments.

Local economic development (LED) has been a strategy of territorial empowerment for many i-cities

To overcome these difficulties, local economic development (LED) has been a strategy of territorial empowerment for many i-cities. This allows them to establish a number of local activities within a larger regional or national (even global) framework. Different forms of i-city business clusters have developed in different geographical contexts and with different modalities (high-tech, manufacturing clusters of automotive production, electronic industry, textiles, fashion, furniture, education, telecommunications, transportation, etc.). In Europe, support for regional clusters has been part of the EU's economic development strategy. Local authority support has been crucial for the economic development of SME clusters in European i-cities, especially those clusters that were experiencing financial difficulty before the economic crisis of the late 2000s, for example in Italy.[89]

During the last decade, the development of city clusters in Asia has been the subject of several analyses.[90] Generally, Asian i-city clusters are newly-grown industrial centres, while Africa's are dominated by informal settlements and businesses, mostly including low-income groups. Northern American and Australian i-city clusters are close to metropolitan areas, spreading out over distances of 100km or more, and are predominantly residential and service or trade industry-based. Latin American i-city clusters are more functionally mixed. More examples of i-city clusters are developed below, in Section 3.

2.4.1 Economic development and the circular economy

Local governments should take the lead in developing participatory LED strategies and bringing key partners together (the private sector, non-governmental organizations - NGOs, universities and local institutions) to share diagnoses and drive strategic projects to adapt to structural economic changes. **I-cities need to create a business-friendly environment that attracts firms, high-quality jobs and investment. This requires a mix of good infrastructure, creativity, innovation, civic entrepreneurship, public utilities and investment**. It also requires an effective public administration that reduces bureaucratic hurdles, helps local business and investors to cooperate, and contributes to the creation of business clusters and innovation. Local economic development policies can contribute to achieving 'decent work and economic growth' (Goal 8 of the SDGs), 'industry, innovation and infrastructure' (Goal 9) and 'reduced inequalities between territories' (Goal 10).

As regards local economic development, i-cities should try to understand and support the development of the circular economy.[91] A circular economy requires governments to take a more responsible approach to waste management and opportunities to capture and recycle waste, heat and energy to ensure local economic development is more sustainable. It requires that every effort is made to use renewable resources or to use resources for as long as possible, to extract the maximum value from them while in use, then recover and regenerate products and materials at the end of each serviceable life.

The major challenge for i-cities in creating the circular economy is the cost associated with recovery of waste and discharged heat energy. In many cases, critical mass is needed to create sufficient recyclable materials to generate scale industry opportunities to substitute reprocessed materials for virgin produce, which in most cases is cheaper.[92] The application of industrial ecology - the recovery of waste and heat energy - to support co-generation of electricity, use of recycled materials and water is becoming more widespread. Some i-cities have been very successful in applying industrial ecology to support the development of local circular economies. Kalundborg, a small city in Denmark, is an example of a city that has taken advantage of scale and position and moved to embracing a circular economy and applying industrial ecology very successfully.[93]

2.4.2 Rural-urban linkages

Improving rural-urban linkages is a matter of growing concern for i-cities because of the pivotal role they play in the development of regional sub-national economies. Investing in i-cities is vital to strengthen rural-urban alliances (see Box 2.6). Rural-urban linkages include a range of factors: the physical infrastructure services needed to move goods and services; the economic linkages incorporating the supply chains and value chains between centres of rural and regional production and urban markets; the knowledge systems in the ways information, data and knowledge is transferred between i-cities, small towns and rural areas; education, business and health services; and governance arrangements. For many rural regions and small towns, the quality and capacity of the infrastructure and services is weak, with very low levels of public and private sector investment. The effect of this is that transaction costs between i-cities and their supporting hinterland of smaller cities and rural settlements are rising. **As rural and regional sub-national areas lose population, this results in further depletion of human and social capital, loss of jobs and an increasing reliance on i-cities to supplement non-farm income**.

Better means of strengthening the capacity of rural-urban linkages are needed, given depleting resources and human capital to support smaller cities and rural areas. Innovative policies to foster 'shorter economic circuits' or 'localized food systems' are contributing to local production and strengthening local food security, job creation, transaction cost reduction, and the improvement of i-cities' carbon footprint. Many i-cities in Quebec (Canada), for instance, or the small i-city of Albi (France) are aiming to achieve food self-sufficiency.[94] The improvement of transport networks, communications and essential services enjoyed by the urban population (health, education, etc.) is also vital to ensure the viability and efficiency in smaller towns and surrounding rural areas. ICT services, for instance, are essential to strengthen urban-rural linkages, for example, by facilitating access to the internet in areas with poor access and through the use of technology for remote services (e.g. health, training, etc.).

An isolated i-city such as Pasto (Colombia) provides services to an extensive region (Nariño) in which 50% of the local rural population still relies on mini funds. Over the last decade, deficient infrastructure (roads, transit) has hindered access to market opportunities and agro-industrial systems needed for this agricultural economy,[95] emphasizing the revenue gap between rural and urban communities. Pasto's response has centred on the management of the city's peri-urban areas, making the city's physical urban growth compatible with the expected infrastructural and logistical expansion of productive rural areas.[96]

In several European rural areas, i-cities have fostered local development agencies for decades, together with business models more consistent with the needs and expectations of the local population and territory. Agricultural cooperatives, for instance, have grown to become a primary source of direct

BOX 2.6 RURAL-URBAN PARTNERSHIPS: AN INTEGRATED APPROACH TO ECONOMIC DEVELOPMENT

A 2013 OECD report considers different ways to foster rural-urban linkages using partnerships, with a case study of 11 cities and regions in Europe, Australia and the United States.[100] The European case studies include Nuremberg (Germany), Rennes (France), Brabantstad (the Netherlands), Castelo Branco (Portugal), Prague (Czech Republic), Extremadura (a Spanish region), Forlì-Cesena (an Italian province), West Pomerania (a region in Poland) and the Central Finland region. The OECD report focuses on the improvement of rural-urban partnerships through cooperation mechanisms that manage such linkages to achieve common goals and a better regional development, all the while taking into account the emergence of any rural-urban externalities.

I-cities emerge from the report as a key player in the strengthening of the rural-urban alliance. Rennes promoted its peri-urban agricultural system. Forlì and Nuremberg have improved economic cooperation between agricultural producers and urban consumers and successfully included the promotion of the local economy within their touristic development. The OECD report also praises those cities that have achieved a medium-scale service-based economy through the provision of cheaper, more efficient services to their urban and rural communities, such as in Jyväskylä and Saarijärvi-Viitasaari (Finland), mainly down to new technologies, or in West Pomerania (Poland), through more efficient waste management. The report stresses the effectiveness of various measures to limit urban sprawl either through special integrated plans or a comprehensive development plan that engages the rural and urban environments equally.[101]

and indirect rural employment.[97] A small i-city such as Lleida (Spain) hosts one of Southern Europe's largest agro-alimentary cooperatives, an agglomeration of over 150 minor cooperatives that manage the whole production chain, from cultivation and transformation to distribution and commercialization, all the while protecting the worker through in-house insurance services. This system has increased productivity and optimized production chain flows.[98]

In China, national policies aimed at the modernization of agriculture certainly strengthened the bond between the urban and rural environments, investing in food security for their cities and bridging the wealth gap between rural and urban population in certain provinces.[99] At the same time, however, they have also boosted the rate at which the floating population has been pushed towards cities due to precarious livelihoods. In Peru, joint investments by the state and the International Fund for Agricultural Development (IFAD) in the development project for the Puno-Cuzco corridor have bolstered the relationship between farmers and the micro-business community of the corridor's i-cities. This project enhanced cohesion and empowered women in the management of savings groups that were essential to achieving long-term sustainability. Even so, the relationship between vulnerability reduction for the rural population and their products' availability on national and international markets was possibly the most valuable achievement, as i-cities configured themselves as key business hubs.

I-cities should expand their role as regional nodes of development, increasing their attractiveness and delivering, for example, quality infrastructures and basic services accessible to all inhabitants

I-cities' economic development can build on their competitive advantage by mobilizing their local assets and involving their hinterlands. They should engage in inter-municipal cooperation and rural-urban partnerships to promote more integrated development strategies and economies of scale. They should also expand their role as regional nodes of development, increasing their attractiveness and delivering, for example, quality infrastructures and basic services accessible to all inhabitants. Central governments, especially in emerging and developing countries, should develop an adequate legal framework and adopt incentives for strong alliances and cooperation between i-cities, small towns and rural communities – as required by Goal 11.a of the SDGs ('support positive economic, social and environmental links between urban, peri-urban and rural areas').

2.4.3 Identity and tourism

The very essence of i-cities is the uniqueness of their historic, cultural and natural capital. This can become a touristic and recreational asset, often different from and more readily accessible than those offered by larger cities and their surroundings. Many i-cities have a bold cultural identity that their population has defended through time, making it possible for tangible (monuments, buildings, etc.) and intangible (traditions, holiday feasts, cultural events, etc.) heritages to survive. As the tourism industry grows in economic relevance, many i-cities have introduced incentives to promote the attractiveness of their own assets as well as those of their hinterland.[102] More visibility and better access through improved mobility and transport systems can translate into investment opportunities. The advantage of i-cities is that they offer opportunities for sustainable investment in eco, cultural, agriculture and water sport tourism. Importantly this new hybrid of tourism, which focuses on individual and small group travel using locally-owned and operated accommodation, products and services, provides new models for tourism compatible with SDGs.

Mobility infrastructure and its refurbishment have been essential to tourism promotion in many i-cities. It is true, however, that rapid urbanization and too narrow an economic focus on mass tourism have negatively affected i-cities' economies in the past. Cities such as Denpasar (Bali Island, Indonesia), Cuzco (Peru), Luxor (Egypt), Stone Town (Tanzania) and Cartagena (Colombia) are facing enormous challenges in retaining their own cultural identity, product and asset management and planning capabilities, whilst coping with mass tourism.[103] Admittedly, building sustainable development into tourism has not been easy where funds to support cultural heritage and infrastructure are limited.

Dependency on one activity, such as tourism, has in fact been a challenge for several i-cities. For example, i-cities that are heavily dependent on international tourism can be strongly affected by changes in exchange rates or political relations. Bizerte, Hammamet, Cartago and other touristic Tunisian destinations have been severely impacted by the country's spiralling political situation. On the other hand, Malaga, a Spanish i-city on the Mediterranean coast, is an interesting example

of a systemic reaction to such risks. Since the 1960s, Malaga has been a first-rate European touristic centre. It has nonetheless managed to reduce its dependency on seasonal tourism by investing heavily in its cultural and social agenda through initiatives such as *Ágora del Mediterráneo* or *SOHO Malaga*, and by positioning itself strategically in the landscape of global innovation clusters via the SmartCity Malaga project.

I-cities should build on their strong identity, as well as on their **cultural heritage and potential**, respect **their history and architectural wealth**, and invest in strong cultural policies. They should integrate **the cultural dimension of their cities as a key facet of sustainable development**, a vital element of social integration and political participation, but also as an opportunity for **enhanced attractiveness and long-term touristic potential coordinated with their hinterland and territory** (directly related to SDGs 8.9 and 11.4).

2.4.4 High-tech hubs and knowledge-based economy

Over the last few decades, many i-cities, especially in advanced economies, have oriented local economic development towards higher value knowledge sectors, while also leveraging technology to update and renew their primary and industrial sectors. Universities, dynamic business ecosystems, complex supply chains and good mobility and communications infrastructure are just some of the factors that have brought about a decentralization of knowledge from metropolitan areas to i-cities. According to the International Association of Science Parks and Areas of Innovation (IASP), 54.1% of all innovation parks are located in cities with fewer than 1 million inhabitants. In particular, 37.6% of all such institutions are located in cities with fewer than half a million inhabitants, a figure that is comparable with that of metropolitan areas.[104] Most of these institutions are publicly-funded, although there is a growing presence of PPPs.

A dynamic business environment centred on innovation has allowed many i-cities to take immediate advantage of a number of advances in environmental development and urban service provision. The smaller size of these cities and the enhanced proximity between their local development agencies, universities, the private sector and citizens have made it easier, for instance, to rely on effective pilot trials that are then seamlessly integrated into actual management plans. Many of these features – such as e-government and electronic administration, or the circular economy – have changed for the better the daily habits and routines of the population.

For a number of i-cities in developing economies, where the quota of rural population remains significant, improvements in connectivity have helped public administrations enhance the quality of their service provision; cut red tape and administrative costs; increase public management's transparency, monitoring and control; and gain more visibility within their regions. Examples are Yogyakarta (Indonesia), Tra Vinh (Vietnam) and Songkhla (Thailand). The i-city of Tunja (Colombia) is now replicating the successful model of Barcelona's (Spain) 22@ technological district, aiming to increase the competitiveness of its service-based economy through further investment in the knowledge economy and innovation. Technological

BOX 2.7 KNOWLEDGE-BASED CITIES

For several years now, the UCLG's Committee on Digital and Knowledge-Based Cities has been working together with local governments on the development and growth of truly smart, innovative and competitive cities. The outcomes of these innovation-driven processes are particularly important for i-cities, which can reap the benefits of technological development, integration and connectedness to improve their position in national urban systems, foster territorial cohesion, and act as technological hubs for a number of other local actors.

Together with the municipality of Bilbao – a front-runner in political and financial investment in urban innovation – the UCLG Committee on Digital and Knowledge-Based Cities has developed a holistic perspective that builds on six main axes for smarter cities: economy, governance, citizenship, quality of life, environment, and mobility.[105] This scheme aims to innovate and promote key factors, including investment in high-tech and innovation-driven industries and enterprises; ICT penetration in traditional economic activities; systematic improvement and enhancement of e-democracy and electronic administration; stronger presence of knowledge-driven education and research programmes; larger penetration of broad-band connectivity throughout the territory; technology-driven preservation of cultural heritage and opportunities; and e-health, e-inclusion and enhanced accessibility for all citizens, to improve the wellbeing and quality of life of an integrated, involved and interconnected citizenship.[106]

innovation and citizen participation have been key tools for bridging urban infrastructural gaps in an i-city in an emerging economy such as Solapur (India).[107] Many other i-cities in emerging countries, e.g. Toluca (Mexico) and Ajmer (India), are living examples of the huge potential that i-cities have as part of the information age. Astana (Kazakhstan) has been leading a growing movement of 'smart cities' in the region.

I-cities enjoy a significant advantage in terms of positioning themselves at the regional, national and global level as innovation laboratories embedded in a knowledge economy (related to SDG Goal 8.2). This reflects the impact of advances in telecommunications: connectivity makes up for distance from the relevant technological hub by granting access to global networks, allowing cities to replicate best practice initiatives.

2.4.5 Gender empowerment and inclusive economic growth

I-cities can also play a fundamental role in compensating socio-economic imbalances, not only between rural and urban areas but also between different sections of the population. In many cities, women and youth form a substantial part of the vulnerable population. They tend to lead unemployment and informal economy rates, and are generally affected by a lack of public space and household security – a relevant driver of emigration. Persistent gender inequality and the absence of opportunities for younger generations are holding back the local economy and threatening the overall social cohesion of a city.

I-cities enjoy a significant advantage when it comes to positioning themselves at the regional, national and global level as innovation laboratories embedded in a knowledge economy

In the last few decades the informal economy has soared in many cluster i-cities close to metropolitan areas in developing countries. A good example of this is the mid-sized i-city of Nakuru (Kenya), with almost 335,000 inhabitants and where informal street vending is a key component of the local economy. Public management of this issue needs to include further representation of women in local decision-making bodies and participative budgets, the rationalization of the licencing system, and easier access to responsible financial sources.[108] Naga (the Philippines) is the first i-city to issue, through the Women Development Code, a city ordinance that guarantees women's 'right to the city', awarding representation posts in public policy-making bodies and reserving 10% of the annual budget for programmes that are related to the ordinance's goals.[109] In many developing countries, a collaboration between local governments and cooperatives or community-based groups rooted in i-cities' informal economies has played a huge role in basic service provision - with significant strides towards gender equality and inclusion in these fields.[110]

Though less visible, over the last few decades many Latin American i-cities have strengthened the role of women in local economic development, mostly through private and public initiatives that have included technical and professional training programmes and improved their first-time access to decent jobs. Production, distribution and commercialization cooperatives have proven to be effective ways to escape the informal economy, in particular for women, even in unfavourable contexts – as exemplified by fast-growing Palestinian supermarket cooperatives Bezaria, Beita and Al-Noemeh.[111]

While promoting gender equality in local economic development, i-cities should also consider socially inclusive urban policies that may positively affect the safety and security of the most vulnerable sections of the population. Together with public space, school is a key life stage where investment in infrastructure will benefit generations to come. In many Indian i-cities, women have been at the forefront of participative processes to renovate and improve the public space. In Antalya (Turkey), women have led improvement of urban services for peri-urban areas, and have been able to control 70% of the decision-making process.[112] The improvement of safety and security of the public space significantly reduces women's exposure to male violence, a beneficial externality of more efficient access to residential or productive land use.

Even though many enjoy only limited resources, i-cities can still use the advantages of proximity and human scale to address social issues tailored to the needs of people at risk of exclusion. At the same time, they can address gender and other inequalities (such as youth exclusion, the informal sector, immigrants and minorities). Local authorities need to be proactive and avoid the risk of increasing social polarization and exclusion. Their actions could contribute substantially to the achievement of a number of SDGs, for example Goal 5 on gender equality, Goal 8 on productive employment and decent work for all, and targets 8.5 and 8.6 on youth.

2.5
PROXIMITY AND HUMAN SCALE: LIMITATIONS AND OPPORTUNITIES

There has been a huge demographic, physical, economic and social transformation of i-cities throughout all the regions of the world, helping to shape a 'new economic geography'.[113] Although on average they will grow at a slower pace than larger agglomerations, i-cities face huge challenges in the coming 20 years to host the millions of new urban dwellers that are expected. This requires urgent action, especially in Southern and South-eastern Asia and Sub-Saharan Africa, to help i-cities to plan and manage this process in order to reduce the pressure on metropolitan areas and organize more balanced urban systems.

Differences among i-cities, and between i-cities and metropolitan areas – measured by GDP per capita and competitive advantages – are widening, particularly in developing countries. A majority of i-cities in the Global South are unable to ensure adequate urban planning, and larger i-cities now face similar challenges to metropolitan areas: sprawl, peri-urbanization, land and housing pressure, poor access to basic services, spatial segregation, spreading informality, environmental fragility, and low resilience. The evolution and roles of i-cities should attract more attention from both national governments and international institutions. Most SDGs and the New Urban Agenda rely on the successful adaptation of i-cities to the challenges ahead.

Beyond their traditional role as administrative and service provision centres, many i-cities have reinforced their role as local/regional hubs for revamped agricultural economies and specialized industries often associated with the exploitation of natural resources. Others have developed new activities such as technological or knowledge centres or culture and tourism. I-city clusters or corridors have emerged in almost all

Photo: Izu navi - Atami Market, Shizuoka (Japan).

regions, developing vital linkages with global supply chains for goods and services. However, other i-cities have not benefitted from these transformations and have in fact experienced stagnation or decline ('shrinking cities'). The next section explains the geography of these changes.

Legal and institutional reforms have also been decisive in this process. Over the last few decades, decentralization reforms have given local governments in i-cities more responsibility for service provision and infrastructure which form the basis of local attractiveness and quality of life. Nevertheless, in developing countries, an enabling environment for good local government performance is often not yet in place. Many i-cities are suffering increasing budgetary pressures, particularly in regions that are lagging behind.

I-cities' economies must become more 'glocalized', i.e. they must gear local industry, production systems and trade to the demands of national and global markets

Human scale provides an identity, a sense of belonging, close networks, tacit knowledge and the willingness of communities to work together to build a more prosperous environment. Size, however, also affects opportunities, services, jobs and knowledge. Distance from other centres of economic activity adds to the cost of doing business and reduces access to services and opportunities.

The challenge that local governments and citizens of i-cities now face is to turn the advantages into economic development policies, into inclusive societies, into a valuable and welcoming environment, into creative and liveable cities. I-cities also have to overcome the problems that come with the creation of a 'critical mass', to make local economic and social development affordable and accessible. Though there are no simple or immediate solutions to these problems, nor recipes to make i-cities more inclusive, dynamic and sustainable overnight, there are several strategies – as discussed throughout this chapter – that i-cities can adopt and turn into leadership opportunities.

As mentioned above, i-cities need to look for more collaborative models of development, strengthening their collaboration with other cities, local stakeholders and their hinterlands, building alliances with the private sector and communities to encourage endogenous growth, building on their own assets, strengthening local identities and social capacities. Participatory governance, strategic urban planning, integrated spatial, economic and social policies, shared strategic projects, economic development and inclusive social policies and gender equality are all actions conducive to the foundation of these collaborative models of development. Fast growing i-cities in developing regions need to prioritize flexible and integrated urban planning approaches, land-use management, reform of urban governance systems, financial management, and better access to land tenure, basic services and decent living standards for everybody, in line with human rights' principles.

I-cities that experience structural reforms in the face of economic downturns should certainly prioritize re-education and re-skilling, strong political and business leadership, the participation of local communities and the different elements of a collaborative economy, as well as embrace innovation and new technologies. Specific policies are necessary to attract and retain young people in particular.

I-cities need to create a culture of cooperation rather than competition with their hinterlands and surrounding small towns and rural areas, promoting economic integration and shared assets, services, and infrastructures that are adapted to the demands of the entire region. The challenge for many i-cities is how to operate both at scale and in a more globalized and competitive economic environment. I-cities' economies must become more 'glocalized', i.e. they must gear local industry, production systems and trade to the demands of national and global markets, looking for more complementarities and synergies with metropolitan areas. National policies should foster and guide these strategies.

I-cities can and have become more prosperous, dynamic and creative places. They must learn how to use their assets in a sustainable way. Scale offers opportunities to transform their patterns of production and consumption, their social, cultural and natural environment. Scale also opens up spaces for i-cities to become more innovative and dynamic locations in which to live, work and create. To overcome some of the challenges they face, i-cities must learn to collaborate, integrate and work together within networks, building more synergies between urban areas and territories. They need to create a more balanced and complementary system of cities. The challenges and opportunities for i-cities will vary significantly across the world depending on their geographic, political and economic situation. These dimensions are reviewed in the next section.

3.

NATIONAL AND REGIONAL URBAN SYSTEMS AND INTERMEDIARY CITIES

Globalization, governmental reforms (including decentralization), urban growth and the impact of new technologies are changing the dynamics of development of urban areas. This is leading to a significant transformation of national urban systems and the expansion of international systems of cities globally.

The spatial pattern of systems of cities varies across different countries and regions, and is in flux.[114] Many countries have a hierarchal system of classified cities, some of which are defined by laws or even their own constitutions. Functional hierarchical systems remain the main basis of public administration and local finance in most countries. The rapid pace of urbanization, however, is ushering in a more dynamic model, where cities are more networked and less hierarchically defined by population, size or government frameworks. This evolving pattern based on functional linkages and interdependence is bringing national, regional and global systems of cities closer together. **This has profound and yet hard to predict implications for how existing urban hierarchies evolve and perform in terms of trade, economic development, investments, migration, culture, knowledge and information**.

Photo: Xiaojun Deng - Thimphu (Bhutan).

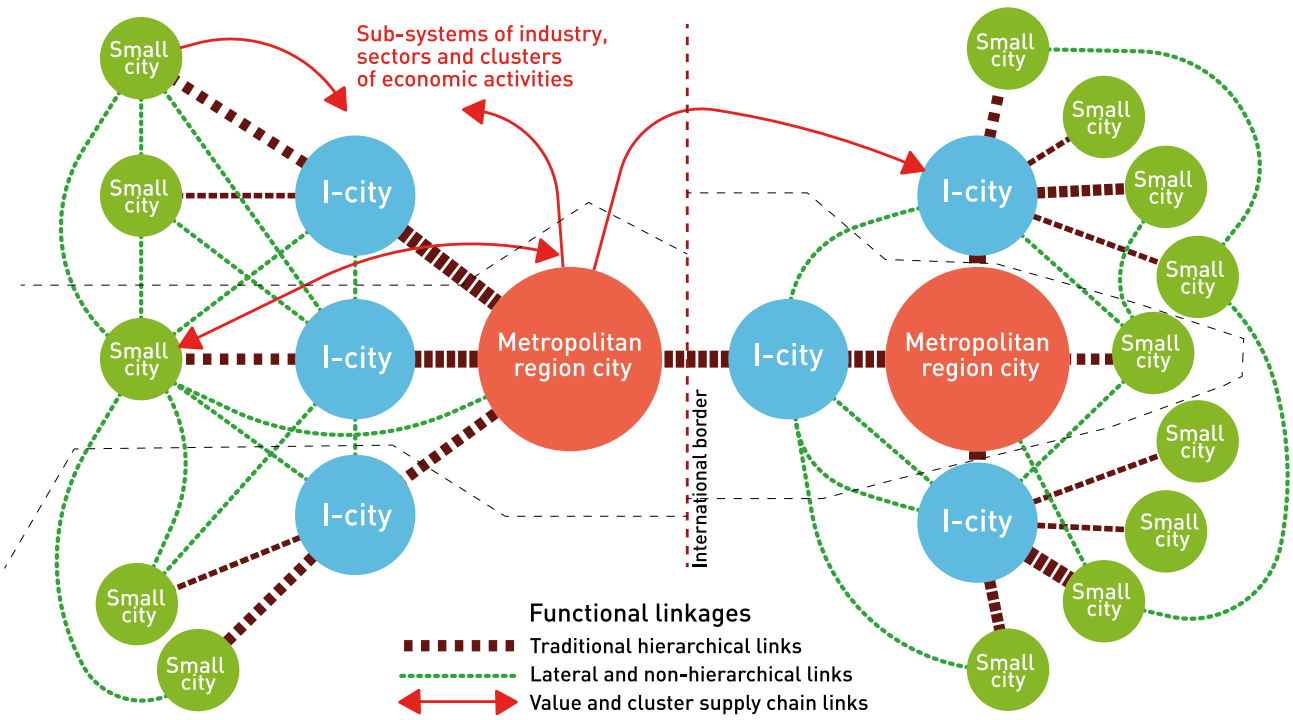
Figure 3.1 shows that, while many elements of functional urban hierarchy remain, there are more and more lateral connections within and between countries. Both national and global systems of cities now comprise a complex mesh of ever-changing hierarchical and non-hierarchical structures and relations, based on a series of hubs, spokes and loops. The internet and the rise in the service economy are presenting new opportunities for different kinds of trade networks between cities, those that transcend national and international borders.

In light of these emerging new trends, we need to fundamentally rethink how we perceive the relationship between scale, size and function, and the impact these have on urban systems, when considering what shapes the spatial patterns and scale of development in national systems of i-cities. As discussed in Sections 1 and 2, there are three broad categories of i-city: sub-national i-city nodes, clustered i-cities, and i-city corridors.

Each category plays a different and crucial role in shaping the demographics, economics and nature of national systems of cities and national development. There are overlaps between them and some extend beyond national boundaries as part of the international systems of i-cities.

This section presents a brief overview of systems of i-cities (monocentric, bicentric, polycentric, coastal, inland, landlocked, clusters and corridors).[115] Where possible, it refers to national and regional urban policies and practices used in different world regions to respond, either positively or not, to the challenges of urbanization and the needs of i-cities. **The goal is to explore how i-cities can play a much stronger role in the development and functioning of national and regional systems of cities**. The concluding remarks summarize the most important messages about the national and regional systems of i-cities, as well as their crucial importance in shaping the New Urban Agenda for the coming decades.

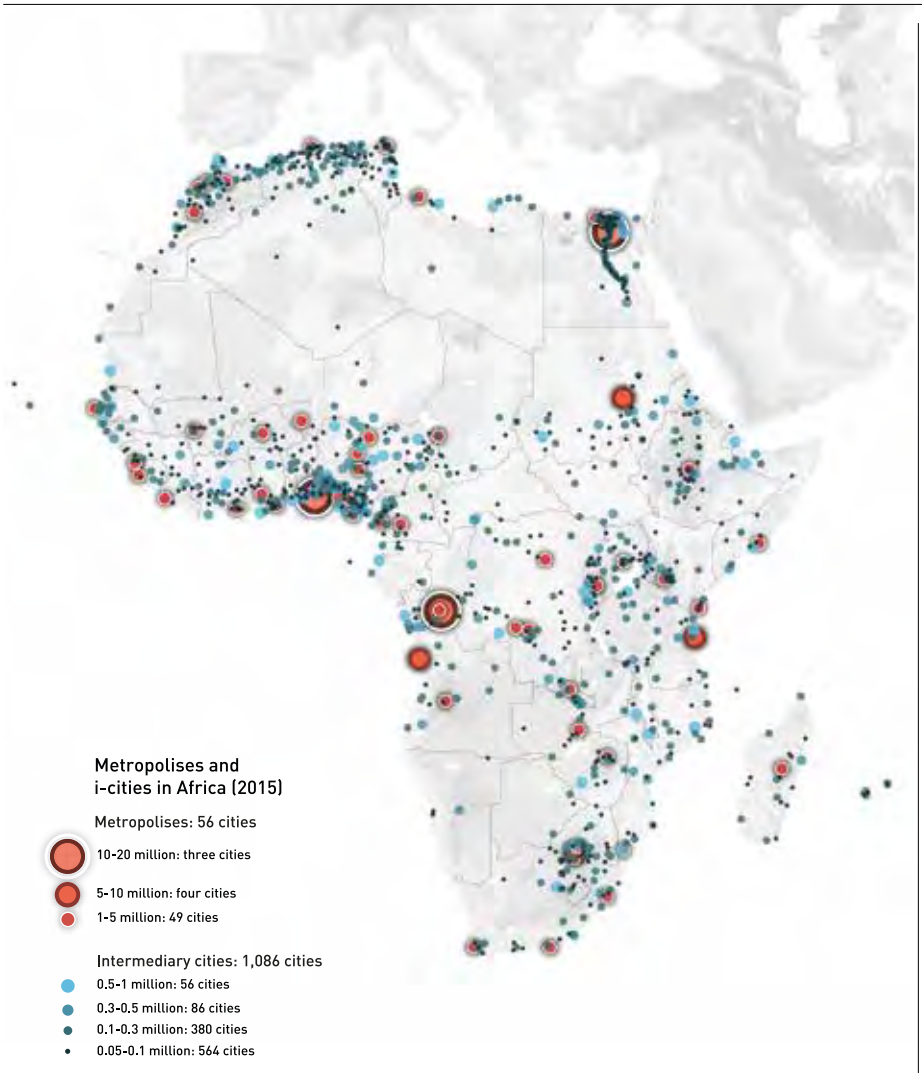
Figure 3.1 **Hierarchical and non-hierarchical systems of cities**

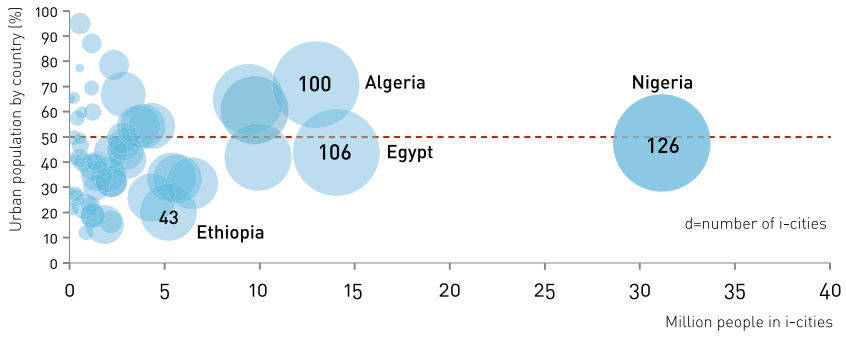


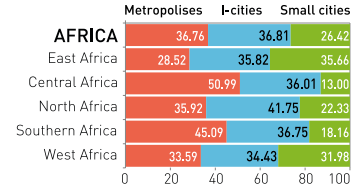
3.1
URBAN SYSTEMS AND INTERMEDIARY CITIES IN AFRICA

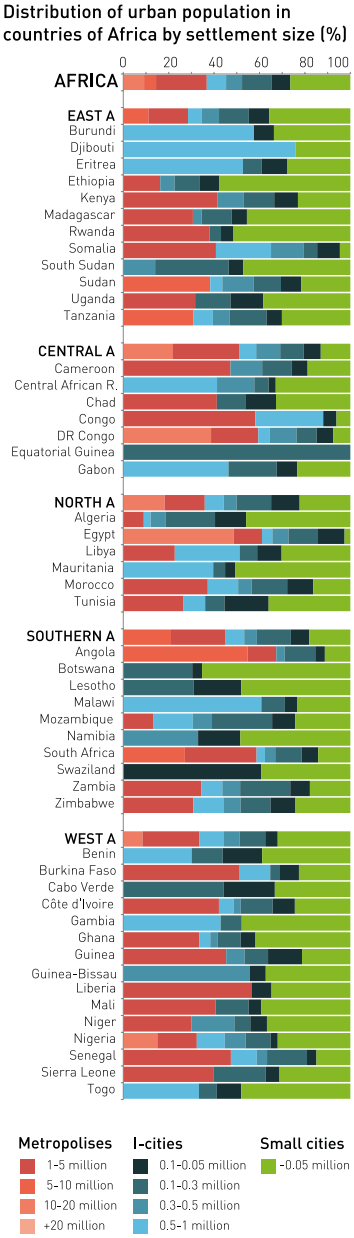
Figure 3.2 **AFRICA urban agglomerations and distribution of population by settlement size**

Source: UCLG and CIMES-UNESCO









3.1.1 Spatial integration and functional balance of African i-cities

Africa's 1,086 intermediary cities are home to 174.8 million people, approximately 36.8% of the continent's total urban population. This figure is close to the number of people that live in Africa's 56 metropolises (174.5 million inhabitants, 36.7% of the total urban population), but more than the population of inhabitants of small cities (125.4 million, 26.4%). In Northern Africa (where 56% of the people live in urban centres, making it the most urbanized region of Africa), i-cities host a significant proportion of the urban population (42%). This compares with 36% living in metropolitan areas and 22% in smaller cities (of fewer than 50,000 inhabitants).

In contrast, in Southern and Central Africa, where 44% of the population live in urban areas, the majority of the urban population (45% and 51% respectively) live in metropolitan areas. Meanwhile, i-cities host around 36% of the urban population, and small cities, between 13% and 18% respectively. In East Africa, a generally more rural area, only 26% of the population live in cities. Here, the structure of urban distribution is inversed: most people live in intermediary and small cities (35% and 36% respectively), while 28% of the urban population live in metropolitan areas. Finally, in Western Africa (with 45% of urban dwellers), the population is well-distributed between metropolitan areas, intermediary and small cities (33.6%, 34.4% and 32% respectively). Important differences within each region still exist, however, with a significant polarization of urban systems.

In most countries across the continent, one or two metropolitan areas clearly dominate, hosting 33% or more of the urban population (monocentric or bicentric systems)

Monocentric/polycentric regional spatial structure in Africa

In most countries across the continent, one or two metropolitan areas clearly dominate, hosting 33% or more of the urban population (monocentric or bicentric systems). This is particularly true in the case of Central Africa (Cameroon, Chad, Congo and the DR Congo); many countries in Eastern Africa (Kenya, Madagascar, Rwanda, Somalia, Tanzania, and Uganda); Western Africa (Burkina Faso, Côte d'Ivoire, Ghana, Guinea, Liberia, Mali, Senegal and Sierra Leone); and Southern Africa (Zambia and Zimbabwe). Egypt, in Northern Africa, shows similar characteristics.

In South Africa, however, 59% of the population live in metropolitan areas, distributed in six main large agglomerations. In Northern Africa, urban systems are generally more balanced, thanks to a strong presence of i-cities: 46.4% of Morocco's urban population are concentrated in the country's 62 i-cities; over 90% of Algeria's urban population reside in either intermediary or small cities. Significantly, in Africa's most populous country, Nigeria, 35.6% of the urban population live in 126 i-cities. The predominant role of large i-cities (between 500,000 and 1 million inhabitants) in Nigeria is key to the polycentric configuration of its urban system: '[A] more developed network of i-cities can contribute to balance the urban systems and support the urbanization that is currently taking place'.[116]

Coastal, inland and landlocked intermediary cities

The system of coastal intermediary cities plays a crucial role in the regional cohesion of North Africa and the most dynamic economies of the Gulf of Guinea. Almost all of North Africa's cities are concentrated in a strip that measures 200km and extends along the coastline that follows the Atlas mountain range bordering the Sahara desert. Approximately 80% of all cities in Algeria – a country with a territorially significant system of i-cities – are concentrated within this strip. In Nigeria, 60% of all i-cities are located around the metropolitan areas of Lagos and Ibadan, Benin City, Onitsha and Port Harcourt, resulting in an especially dense cohesive urban system.

On the other hand, a system of inland i-cities dominates the east, centre and south of the continent, structured around an extended network of navigable fluvial waterways. The Great Lakes area lies midway along an internal North-South axis that links Khartoum (Sudan) with Durban (South Africa) and, across five countries, hosts nearly one third of Africa's cities. On a smaller scale, the Nile Valley concentrates the urban system of Egypt, with 44 i-cities lying between Aswan and Cairo.

Africa has a significant amount of more isolated regional i-cities that control an extended administrative area and have developed 'enclave economies'. Most of these sit in semi-arid areas at the northern and southern fringes of the Sahara Desert, as well as in the Congo Basin. Cities with a rich historical legacy and heritage, such as Gao or Timbuktu (Mali), Tahoua and Agadez (Niger), and Abeche (Chad) have prospered

throughout the centuries. This is due to their role as cultural centres and their location within trade, mining and exchange regions. Other examples are Sabha (Libya, located in an entirely desert area); Tamale (Ghana); Bobo-Diulasso (Burkina Faso); Sokoto (Nigeria); and Saurimo or Luema (Angola). All have suffered from low levels of territorial interconnectedness.

Functional balance of African i-cities: clusters and corridors

Over the past few decades, **many African i-cities have experienced rapid demographic growth with the establishment of new economic activities and specialized services at a regional and global level**. This process has often led to the emergence of regional and global clusters. These are generally characterized by a large number of small and micro-enterprises active in both formal and informal sector economies. This is even though multinational companies still seem to be relevant for those i-cities that are strategically located in terms of transport and movement of goods. Tangier, for instance, a former i-city in Morocco, with strong automotive industries and logistical infrastructure, has turned into a metropolitan 'gateway' to Europe, as part of a nation-wide regional development strategy based on regionalization and decentralization. Monastir and El Feidja (Tunisia) have created a regional textile cluster – the *Pôle de compétitivité Monastir-El Fejja* (Mfcpole) – and established new laboratories and R&D centres.[117]

Nnewi (Nigeria), meanwhile, surrounded by a cluster of satellite i-cities, is commonly known as Africa's 'Taiwan' or 'Japan', thanks to its strong automotive industry, universities and technical institutes.[118] Arusha (Tanzania) has grown into a regional cluster in the furniture industry. Similarly, Lake Victoria is one of the main clusters of agriculture and fishing in the region within the larger influence of Kampala (Uganda) or the mid-sized i-city of Kisumu (Kenya). Mek'ele (Ethiopia), an i-city north of Addis Ababa, is a good example of a cluster in a landlocked country and economy, and has a concentration of over 250 companies involved in the manufacturing of furniture, construction materials and agricultural machinery. The Gauteng region (South Africa) is a further example of an emerging i-city cluster, close to the metropolitan areas of Johannesburg and Pretoria (e.g. Sasolburg, Potchefstroom and Klerksdorp are mid-sized i-cities historically in mining).

A better understanding of i-cities and cluster arrangements outside of the metropolitan core is necessary in order to take advantage of the emerging opportunities to increase social, financial and human capital on the African continent.

Africa's physical geography, together with the low levels of territorial interconnectivity within its inner transport network, have led to the emergence of city corridors in specific geographical areas. These are mainly along the coast, as is the case with Northern and Western Africa, or they are inner city corridors in landlocked countries, traditionally linked to fluvial waterways, on a North-South axis from the Great Lakes area down to South Africa.

National frontiers, however, have been a barrier to cross-border trade and have hindered the formation of i-city corridors as a truly integrated regional urban system (e.g. a potential corridor of i-cities from Morocco directly to the Libyan i-cities of Misrata and Sirte through a corridor of Algerian and Tunisian coastal cities). In the Gulf of Guinea, a region-wide international corridor is connecting Abidjan (Côte d'Ivoire) with Port Harcourt (Nigeria) (see Box 3.1). Another relevant corridor is that which connects Nairobi (Kenya) with Juba (South Sudan). This includes 12 small and mid-sized i-cities, such as Eldoret and Kisumu (Kenya), and Lira and Gulu (Uganda) along its 600km extension. In Central Africa, the DR Congo's system of cities builds on the backbone of a 1,600km-long internal corridor that connects the cross-border megacity of Kinshasa-Brazzaville with Lusaka, a metropolis in Zambia. Free trade agreements and investments in infrastructure are needed for these i-city corridors to further nurture and protect their development.

Cameroon, Egypt, Ethiopia and Nigeria all have examples of internal i-city corridors. One corridor joins 12 Cameroonian i-cities from Kumbo to Douala, and hosts over 60% of the country's total urban population. Egypt has developed three large corridors of i-cities as the backbone of the country's urban economic structure (the Cairo-Alexandria axis in the Nile Delta, the Suez-Ismaïla-Port Said axis along the Suez Canal and, though not well-structured yet, the Cairo-Aswan corridor in Lower Egypt).

Ethiopia, a largely rural landlocked country, yet one of the continent's emerging

Mek'ele (Ethiopia), an i-city north of Addis Ababa, is a good example of a cluster in a landlocked economy, with a concentration of over 250 companies

BOX 3.1 WEST AFRICA TRADE COAST CORRIDOR

The United Nations Economic Commission for Africa (UNECA) and the African Development Bank (AfDB) have both acknowledged the growing importance of economic trade and development corridors in boosting trade relations and investments between cities and countries in Africa. The AfDB and the World Bank have made a significant contribution to trans-African highways to improve connectivity and economic trade along the Dakar-Lagos route, known as Highway 7 (4,010km). This provides access to 11 West African nations: Senegal, the Gambia, Guinea-Bissau, Guinea, Sierra Leone, Liberia, Côte d'Ivoire, Ghana, Togo, Benin and Nigeria.

The trans-African Highway 7 plays a significant role in trade and economic opportunities across West African countries, serving as the area's most direct cross-country thoroughfare. I-cities are benefiting from the highway in terms of connectivity and, thanks to its infrastructure, some have evolved into important multi-modal nodes and transfer hubs for access to other landlocked cities and countries.

The management of the corridor is undertaken multinationally by regional economic communities: the *Union Economique et Monétaire Ouest-Africaine* (UEMOA) and the Economic Community of West African States (ECOWAS). While the continued improvements and extension of Highway 7 are stimulating the development of metropolitan regions and i-cities, there are still significant impediments to trade and investment along the corridor, not least sections of it that are poorly constructed or maintained.[119] Border crossing can take many hours, customs regulations and standards are not uniform, inter-modal goods-transfer infrastructure and systems are not integrated, and the control of development along the highway is not regulated, significantly increasing congestion in smaller towns and i-cities along its route.[120]

economies, has developed three main structural urban axes to bolster its system of cities. These are: the Addis Ababa-Asmara corridor (Eritrea) as a natural gateway to sea access; the Addis Ababa-Berbera corridor (Somalia) to gain access to the sea, but compromised by regional military and security tensions; and the Addis Ababa-Arba Minch (Somalia), an internal rural axis. Nigeria is an interesting case, with the Abuja-Onitsha-Port Harcourt metropolitan corridor extending over 400km populated by i-cities of more than half a million inhabitants, such as Makurdi, Enugu and Aba. This corridor counterbalances Lagos' megacity and system of satellite i-cities economically, with both areas bordering the River Niger.

African i-cities will play a fundamental role in the coming decades, absorbing a significant part of the continent's urban and demographic transition and strengthening its economic integration and territorial cohesion. The huge potential of the urban system of corridors and clusters of coastal and inland i-cities can be capitalized on, so long as the infrastructural deficits in their regional and international interconnections can be addressed. This is especially true in those inland areas where inadequate governance frameworks and structural vulnerabilities have year after year been turning these regions into some of the world's most fragile urban areas.

3.1.2 Trends and national urban policy responses in African i-cities

In following colonial developmental patterns, several African states either failed to alter or continued to favour the development of capital cities and large agglomerations linked to export activities. This prevented the creation of a more even urban development with integrated networks of i-cities. A majority of African countries thus continue to depend on agricultural sector or raw materials exports, making their economies vulnerable to global volatility and competition. Regional conflicts and humanitarian crises precipitated mass movements of rural communities to urban agglomerations in search of security and job opportunities. Over the past few decades, these trends have widened the gap between rural and urban areas.

Concurrently, the many structural adjustment programmes of the IMF have failed to take into account the spatial impacts that their measures have. The low level of industrialization in larger cities in Africa – unlike for instance in South-eastern Asia – has for example prevented these cities from sufficiently meeting the growing demand for employment resulting from urban growth, particularly among the younger population. This population flow has been channelled towards informal economic activities and settlements. Notwithstanding, **urban environments have nurtured an emerging middle class that, in turn, stimulates**

the rise of different kinds of service provision, economic access and governance organization.

Institutionally, as a result of significant democratic reforms and decentralization processes, elected local governments have emerged in most African countries. Decentralization, however, has generally been partial and lacked a consistent pattern of empowerment both financially and in terms of governance for regional and local administrations.

These structural hindrances have prevented national governments from reaping the full benefits of a decade of impressive economic growth. Dependence on raw materials industries and exports should be being counterbalanced by adequate economic modernization – a process that would benefit from a context of well-connected, well-equipped, and economically efficient and diversified systems of cities.

However, African urban societies face the long-standing consequences of massive, disorderly urban growth. Slums and informal settlements – dominated by insecurity of tenure, lack of essential services and infrastructure, and deficient application of planning and regulatory provisions – characterize most African cities.[121] Consequently, African countries face the formidable challenge of sustainably transforming the rural-urban balance of their economies and transitioning towards a fully-fledged urban society, where urban needs and demands are met.

Africa's urban and demographic transition, moreover, has not been equally distributed across the continent. Certain urban economies in industrialized areas of North Africa, e.g. Morocco and Algeria, have for a long time been competitive with industrialized areas in Southern Europe. However, they have also had to adapt to the events and uncertainties triggered by the aftermath of the Arab Spring. Meanwhile, many countries in Sub-Saharan Africa have shown structural difficulties in upgrading and adapting their own NUPs to changing demographic and economic scenarios.[122]

In light of these factors, it has been increasingly emphasized that African nations need to have adequate institutional frameworks and NUPs to promote more even urban and territorial development at national and regional levels. Sixteen African countries have been developing NUPs in the last decade. While a few are setting the pace on the role of i-cities (e.g. Algeria, Ethiopia, Madagascar, Morocco, Rwanda, South Africa), others have reserved a place for intermediary cities and their development in their national roadmaps. Benin, Ghana, Mali, Niger and Uganda have created new opportunities for i-cities to improve urban management and rationalize investment in infrastructure (see Box 3.2).[123]

Decentralization, sustainable growth, urban networking and coordination are all integral to current recommendations for how to tackle Africa's urban challenges. In June 2014, the Summit of the Heads of State and Government of the African Union approved the African Charter on the Values and Principles of Decentralization, Local Government and Local Development.[124] The Abuja Declaration – reaffirmed as recently as February 2016 by African UN Member States in the preparatory proceedings of Habitat III – presents 'Africa's Priorities for the New Urban Agenda'. This acknowledges the need for an integrated vision of Africa's human settlements that spans the rural environment, intermediary cities, as well as metropolises.

The Declaration is one of the latest steps towards the 'African Agenda 2063', the strategic document promoted by the African Union which serves as a roadmap for the continent's long-term socio-economic development, in which urbanization is recognized as a crucial driver of innovation, and cities are imagined as the vibrant backdrop of integrated economies and 'a major driving force for the continent's transformation'.[125] However, while Agenda 2063 imagines 'cities and other settlements' as 'hubs of cultural and economic activities, with modernized infrastructure' and whose people 'have access to affordable and decent housing including housing finance together with all the basic necessities of life such as, water, sanitation, energy, public transport and ICT',[126] more attention needs to be paid to the role of emerging i-cities.

Ultimately, the role of African i-cities is essential, even though they are only intermittently mentioned in the continent's national agendas and priorities. More than acknowledging them as the 'missing link' or 'invisible' factor in African countries' development strategies, NUPs need to prepare for the 250 million new urban dwellers that will be absorbed by the continent's growing number of intermediary cities over the next two decades.

Institutionally, as a result of significant democratic reforms and decentralization processes, elected local governments have emerged in most African countries

BOX 3.2 NATIONAL URBAN POLICIES IN AFRICA

The 16 African countries that have been developing national urban policies (NUPs) in the past decade are: Algeria, Benin, Burkina Faso, Cote d'Ivoire, Ethiopia, Gabon, Ghana, Malawi, Mali, Morocco, Niger, Rwanda, Senegal, South Africa, Swaziland and Uganda.

South Africa, for example, only recently developed an NUP, since rural development was considered a top priority. A first attempt to introduce one was made in 2009 and supported in 2013 when the government began work on a new integrated urban development framework (IUDF). The IUDF requires that every city formulate a 30-year long-term growth and development strategy (GDS). Seven components will provide the policy mechanisms to promote change: basic infrastructure networks, inclusive economic development, integrated transport and mobility, integrated human settlements, land management, social transformation and urban governance. The priorities, concerns and capacities of the smaller municipalities, including their inadequate financial resources, have prompted much debate. The South African Network of Cities (SACN) asks for more flexible and multi-layered categorizations to better take into account the reality and vulnerabilities of i-cities, acknowledging their role in both national development and rural development policies to foster cross-sector integration.[127]

In the latest of a series of strategic documents,[128] Nigeria in 2012 created a national urban development policy (NUDP). The aim of the NUDP is to promote a dynamic system of urban settlements that fosters sustainable economic growth, promotes efficient urban and regional planning, and ensures improved standards of living and wellbeing for the Nigerian people. The NUDP presented 18 key strategies and actions to be implemented at all levels of government in the short, medium and long term. A priority strategy was to establish an institutional framework to ensure the orderly development and management of urban settlements. A hindrance in this process, however, has been a structural issue with decentralization and the allocation of funds and resources to local authorities.

Rwanda has made impressive progress since the 1994 genocide and civil war, including high economic growth, rapid poverty reduction and reduced inequality. In this regard, the NUP approved by the Rwandan government cabinet in December 2015 defines the strategies for national human settlement development under conditions of economic growth. Rwanda is functionally 'using' i-cities to prepare its transition to a fully urban society. Rwanda's NUP takes into consideration the principles of efficient administration, seamless participation of communities, strong human resources and sustainable planning. As such, it is divided into four pillars which illustrate the cross-cutting nature of urban development: **coordination** to ensure multilevel institutional cooperation; good governance and effective urban planning and management; **densification** to use land efficiently and integrate green developmental principles for efficiently serviced urban neighbourhoods, at the same time preserving valuable natural and agricultural resources; **conviviality** to ensure social inclusion and cultural preservation; and **economic growth** guided by green economic criteria, whereby urban areas are centres of innovation and entrepreneurship and sources for socio-economic services and opportunities.

Ethiopia is actively managing an urbanization process to become a predominantly urban country over the next 20 years. A national urban agenda has been part of the growth and transformation plan (GTP) that aims to make Ethiopia a middle-income country by 2023. This urban agenda includes spatial and economic strategies, infrastructure development and the empowerment of local governments. The plan has linked Ethiopia's economic and spatial strategies for the first time, identified strategic growth corridors and set up an organized 'hierarchy' of urban centres. A main emphasis has been on service delivery and economic performance in order to ensure that Ethiopia's urbanization is socially and economically inclusive, climate-resilient and environmentally efficient. Ethiopia's Urban Local Government Development Programme is a key part of the national urban strategy. Funded by the national government in partnership with the World Bank, the programme seeks to bolster local governments in urban areas and fully acknowledges their role. Fiscal decentralization measures and the ambition for Ethiopia's future metropolitan areas to be 'green', well-governed drivers of economic and social development accompany this commitment. The programme has targeted 16 urban centres of fewer than 500,000 inhabitants to develop tourism and the manufacturing sector.

By 2013, Madagascar had created 13,000 new jobs through an investment wave that affected water supply, mobility and transport, vocational training and education in i-cities, in order to create a functioning regional network of urban communities. Morocco supported the expansion of tourism and other industrial sectors in Tangier and Meknès, while a new regional plan will support peripheral cities in the Casablanca area.

This process may transform existing rural-urban links, promoting the development of surrounding rural areas, improving access to public services, and linking smaller towns and the rural economy to national and international markets. I-cities can also alleviate the congestion of metropolitan areas, by retaining rural migration and developing a more active role as regional or provincial socio-economic hubs. Lower tiers of governance need greater awareness to harness the potential and respect the needs of functioning economic corridors and specialized i-city clusters – a pre-condition for the growth of infrastructural investment and easier cross-border trade. The transition from a rural society to a developed urban economy depends on adequate integration of cities' hinterlands and rural surroundings.[130]

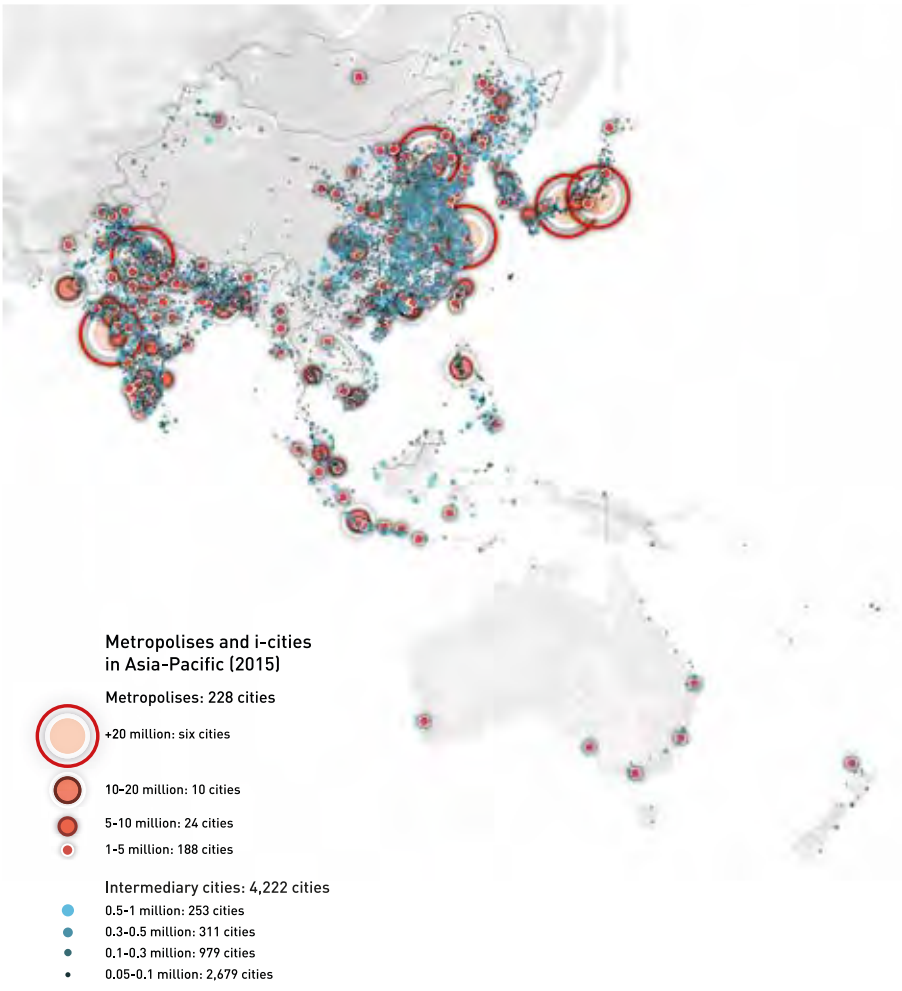
Similarly, NUPs must recognize the relevance and function of i-cities to the territory's social cohesion and economic integration. In the most dynamic regions of Northern, Eastern and Western Africa, the share of population in i-cities is already similar to or greater than that of metropolises. Many of these countries will have to rely on economic modernization without industrialization, by improving agricultural productivity and investing in services and innovation. In this regard, technology plays a fundamental role in the economic decentralization of territories often weakened by an inadequate transport infrastructure. I-cities will have to step up providing strategic connectivity in the fields of energy and telecommunications, strengthening their local development, while reducing the social and environmental vulnerabilities that are inherent in the rapid **urban expansion processes** in the years to come.

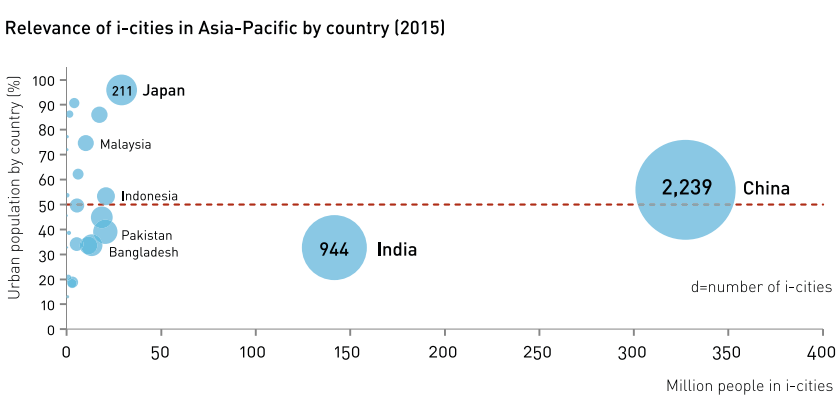
Photo: Bikejuju - Nampula (Mozambique).

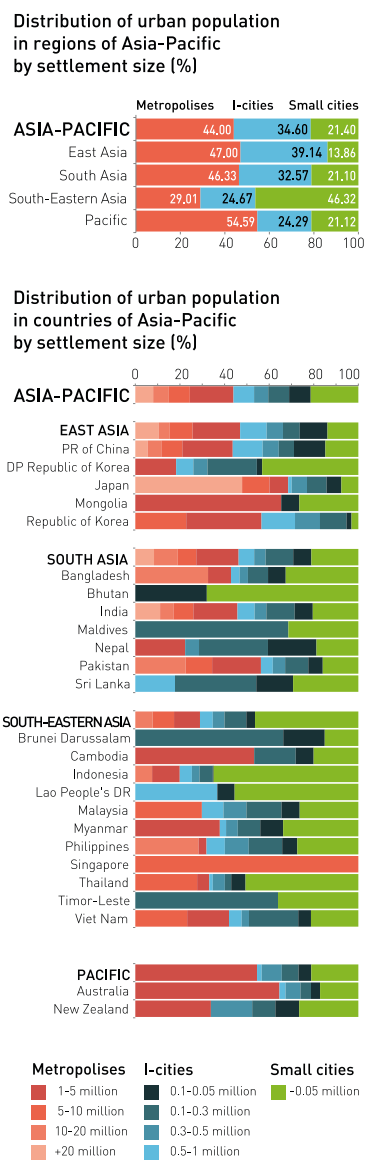
3.2
URBAN SYSTEMS AND INTERMEDIARY CITIES IN THE ASIA-PACIFIC

Figure 3.3 ASIA-PACIFIC urban agglomerations and distribution of population by settlement size

Source: UCLG and CIMES-UNESCO. For China and India, see more details in figure 3.3. bis







3.2.1 Spatial integration and functional balance of Asia-Pacific i-cities

The Asia-Pacific comprises four large sub-regions: Eastern, Southern and South-eastern Asia, and the Pacific. It is the biggest and most densely populated region of the world (54% of the global population and 46.2% of world urban dwellers), with an enormous variety of geographic, cultural, economic, climatic and political landscapes. China, India, Indonesia and the Philippines are amongst the most populous countries on Earth, while the Pacific Island states of Nauru, Tuvalu and Palau are some of the least. The region unites a 100% urbanized compact city state such as Singapore with de-urbanizing (-1% urbanization rate in 2011) low-density island states such as Samoa; those that are landlocked such as Mongolia; and a dispersed mountain state such as Nepal. The Pacific region, often referred to as Oceania, is the largest but least populated region.

Asia's systems of i-cities are much larger, concentrated, diverse and complex than those in other continents. The region includes 222 metropolises that are home to 49% of the world's population living in metropolitan areas, as well as 16 of the 29 megacities with over 10 million inhabitants. It also has the most i-cities of all the regions (4,177 with 635 million inhabitants, making up 44.5% of the world's i-city population). In the Pacific, on the other hand, i-cities outside of Australia and New Zealand tend to have small populations of fewer than 100,000 inhabitants and low density, with often thousands of kilometres separating them.

In the global recount of intermediary cities, China and India's demographic dominance is absolute. China and India have 2,238 and 944 i-cities respectively, i.e. 35% of all of the world's i-cities. Japan, the third largest economy and one of the most urbanized societies in the world, is a late entry (211 i-cities). Emerging economies with low urbanization levels follow, e.g. Pakistan (134 i-cities), Bangladesh (105), the Philippines (104), Indonesia (72) and Vietnam (71). There is however, a higher concentration of i-cities in China's eight most populous provinces – with 1,467 i-cities and around 200 million inhabitants – than in the whole of Northern America and Europe. These data do not even take account of the fact that, by Chinese standards, cities of 2 to 3 million inhabitants are generally considered to be 'mid-sized'. Similarly, it is estimated that India's urban population will increase by 160 million inhabitants by 2030 (about 30,000 people per day), and 44% of this projected inflow will settle in i-cities. The percentage of population living in urban areas in India, however, is expected to reach 39.5% by 2030 (currently, 67.3% still live in rural areas) and only pass the 50% threshold in 2050.[130]

The level and rates of development of i-cities across the region, therefore, vary enormously. Some medium-sized i-cities of fewer than 500,000 inhabitants are growing relatively fast. Cenxi (China) is increasing at a 5.5% annual rate, Ambon (Indonesia) at 4.95%, and Begusarai (India) at 8.8%. On the whole, urban population growth in i-cities from 2000 to 2015 has been higher than in metropolitan areas but lower than in megacities (see Table 2.1 in Section 2). Over the next 15 years, however, metropolises of between 1 and 5 million inhabitants are expected to grow faster than i-cities, and especially the smaller i-cities.

Monocentric/polycentric regional spatial structure in the Asia-Pacific

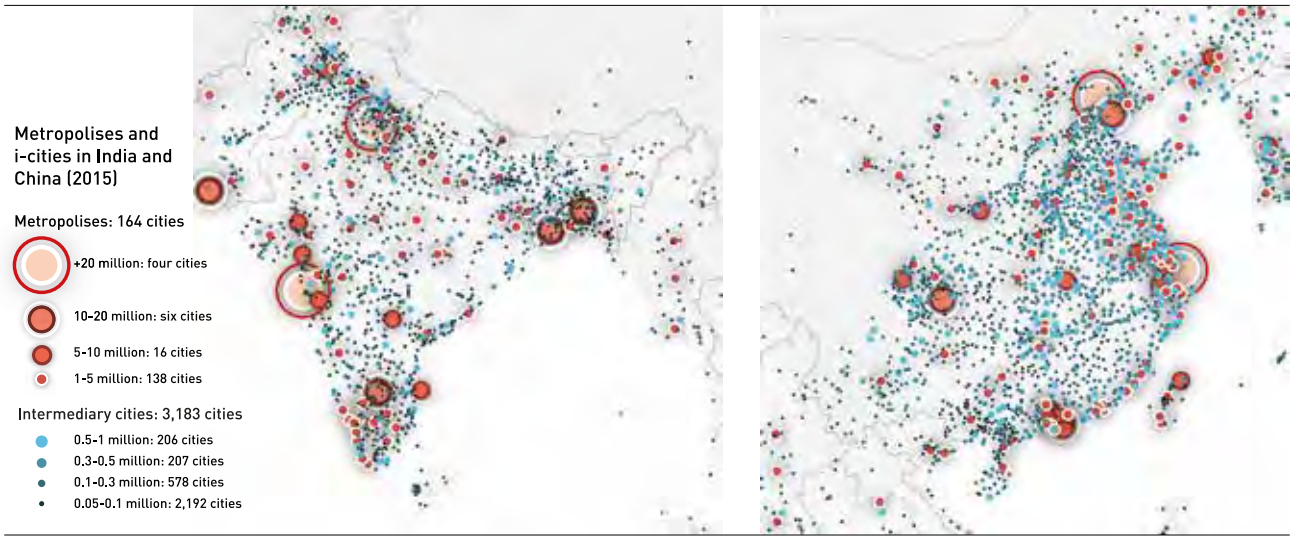
There are important differences in the structure of systems of cities in the region. In general, East Asia has a much more uniform structure compared with that of Southern and South-eastern Asia. The heterogeneity of systems of cities in South-eastern Asia is perhaps due to the archipelagic structure of its two most populous countries, Indonesia and the Philippines. In Southern Asia, the system of cities follows a more uniform hierarchal structure than in South-eastern Asia, partly explained by the federal form of government of important countries in the area, such as India and Pakistan.

In the case of China and India, however, it may be more appropriate to analyze their systems of cities from a regional perspective because of their demographic relevance and structure (see Figure 3.3 bis). China's most populous province, Guangdong, has a polycentric urban configuration. It hosts 15 metropolises of more than 1 million inhabitants (74% of the province's urban population), of which two – Guangzhou and Shenzhen – are megacities with more than 10 million people. Together with bordering Hong Kong and Macau, the province forms one of the world's most populated urban areas. On the other hand, several interior provinces have a monocentric system: Chongqing, for instance, concentrates 60% of its total urban

Asia's systems of i-cities are much larger, concentrated, diverse and complex than those in other continents

Figure 3.3 bis **CHINA and INDIA distribution of population by settlement size and urban population weight in i-cities**

Source: UCLG and CIMES-UNESCO



population in its capital city. The Tianjin province, close to the Beijing area, is a similar example, since its capital city is 35 times larger than its second largest city.

India's federate states have generally strongly polycentric urban systems, alongside a compact network of i-cities that have benefitted from their proximity to both larger metropolitan agglomerations and the rural environment. In 2012, India had 54 metropolitan cities that accounted for 13% of the population. Together with their hinterland and the i-cities located within it, these metropolitan areas concentrated 40% of the national GDP. Both their number (forecasts show 69 metropolitan areas by 2025) and economic relevance are expected to grow (it is calculated that by 2025 they will concentrate half of India's GDP).[131] The development of i-cities, especially those located around metropolitan areas, will thus significantly affect India's economic development. Other South-eastern Asian developing economies with low urbanization levels, such as Myanmar, the Philippines, Thailand and Vietnam, concentrate a significant part of their urban populations in capital cities but at the same time foster an extensive network of intermediary and small cities with a strong link to rural areas. The Philippines has two metropolitan poles: the metro area of Manila in the north, a megacity of over 13 million inhabitants, and Davao in the south, with 1.6 million residents. Sixty-eight percent of the country's urban population is concentrated in a long corridor of 104 i-cities and smaller towns that extends between these two cities.

Coastal, inland and landlocked i-cities

A feature of the geography of i-cities in the Asia-Pacific region is that many of them are located on low-lying coastlines or along large, long navigable rivers. Consequently, many have ports, which play a crucial role in national logistics systems and servicing inland areas. Several i-cities in emerging economies of the region feature low-rise constructions and relatively high rates of urban growth. This is leading to sprawling and poor planning, as well as poor-quality urban services and housing. In the developed economies of Japan, Korea, Australia, and New Zealand, i-cities are generally better planned and have relatively good urban infrastructure and services. There are more efficient national connectivity systems and a much greater focus on risk management, densification, improved building construction and energy efficiency.

Coastal i-cities in the region have developed a broad mix of economic activities. Eastern Asian countries experienced thriving commercial and industrial development generated by export processing zones (EPZs). Transaction costs for i-cities, however, tend to be higher than in metropolitan regions, due to inefficiencies in supply chains.

Moreover, arterial road systems and access to transport logistics between metropolitan areas and i-cities are often heavily congested because of high vehicle ownership rates, even in more developed countries. While the whole Asian region has been increasingly susceptible to environmental threats. In coastal i-cities, exposure to natural disaster (e.g. tsunamis, earthquakes and hurricanes), pollution of waterways, high incidence of water-borne diseases in tropical regions, and flooding during the wet seasons have been particularly menacing. Rising sea levels in Pacific islands have vastly affected economic performance, stability and the wellbeing of the citizenship.

Inland i-cities of Asia are growing at a slower pace than coastal i-cities. In China, for example, coastal i-cities are increasing at rates around 2.7% per year, compared with a rate of 2.4% rates for inland, non-river port i-cities. Many of these inland i-cities are industrial or resource-rich regional centres, or agricultural areas, in the case of certain Australian regions, for instance. Most Indian i-cities are concentrated in inland Uttar Pradesh, Bihar and West Bengal states, located in the vast plains around the River Ganges, which host one third of the country's total population. Uttar Pradesh alone, inhabited by approximately 200 million people, has 124 i-cities with a joint population of 17 million – comparable to the total population of its nine metropolitan areas. In many Asian developing economies, poor logistics and access issues due to inadequate or ageing infrastructure have had an impact on the competitiveness, productivity and growth of these inland i-cities. Many smaller inland i-cities in the region, especially in Southern and Eastern Asia and Australia, are experiencing a significant slowdown in urbanization and economic growth rates, mostly as they struggle to retain skills and attract investment capital.

Nepal, Bhutan, Laos and Mongolia are four landlocked developing countries in the Asia-Pacific region. Nepal is the most populated (29 million inhabitants) and the least urbanized (only 20% of the population live in urban areas), while in Mongolia, 75% of the population live in urban areas. Both primary and intermediary cities in these countries are generally constrained by weak regional networks of road and air transportation and insufficient access to ports in bordering countries. Many rely on imports, have high informal sector economies and lack basic infrastructure. As a result, landlocked i-cities in Asia tend to struggle with their own development while, at the same time, they have had to find resources and capabilities to accommodate increasing numbers of rural-to-urban migrants in the face of growing economic urbanizing pressures.

Functional balance of Asia-Pacific i-cities: clusters and corridors

I-city clusters are a significant recent development in the systems of cities in Asia and – to a lesser extent – Australasia. Most large metropolitan areas have a cluster of i-cities within a range of 75-150km from their centre. Many of these have been planned as growth nodes or poles, such as Clark and Angeles City, 85km north of Manila (Philippines). Clark was a former United States' military base, which has been re-planned as and transformed into an important EPZ. It is one of several EPZ cities of the Philippines, such as Subic Bay and Cavite, concentrated around Manila's metropolitan area.

In some countries, governments are promoting clusters of i-cities to serve as regional growth nodes and take advantage of spill-overs from megacities. High levels of public investment and involvement have been necessary to support their initial development. In some cases, governments have combined this strategy with PPPs and land development. The large metropolitan regions of Beijing, Shanghai (China), Bangkok (Thailand), Ho Chí Minh City (Vietnam), Delhi, Mumbai (India) and Dhaka (Bangladesh) are all planning and developing i-city clusters to take the development pressure off metropolitan regions.[132] Clusters close to metropolitan areas are key for the Indian economy. India's 49 metropolitan clusters extend beyond metropolitan districts, and have grown to include 250 of the country's 450 i-cities with more than 100,000 inhabitants. These could account for about 77% of India's GDP growth from 2012 to 2025.[133]

Corridor i-city development has been a significant feature of urban expansion in Asia and Australia. Many i-city corridors, however, are the by-product of poor regional planning and developmental control. Some i-city corridors are long and continuous in shape e.g. the urban corridor between Hồ Chí Minh City and Vang Tau in Vietnam, which spreads almost 100km. A similar i-city corridor development is taking place

In 2012, India had 54 metropolitan cities that accounted for 13% of the population. Together with their hinterland and the i-cities located within it, these metropolitan areas concentrated 40% of the national GDP

in Sri Lanka, between Colombo and Galle; in Thailand between Bangkok and Rayong, and between Manila and Batangas in the Philippines.

In Japan, Korea, and Australia, corridor i-cities are still growing and are expected to eventually link up, as is occurring in South-East Queensland, Australia. The Indian government is planning its largest i-city corridor development so far, between Delhi and Mumbai, to include 170 million people, with over 40 new or expanded i-cities and eight dedicated 'investment regions' for industrial development.[134] In Gansu, a Chinese interior province that borders with Mongolia, the urban system is articulated in 36 i-cities along 1,000km of connectivity infrastructure between Tianshui, its capital city Lanzhou, and Jiuquan, forming an extensive specialized corridor in the mining industry.

Corridor i-cities in Asia, however, are proving very difficult to manage. They tend to form as small towns along the main thoroughfares between metropolises and large regional i-cities and then grow off strip-market developments, often with high levels of specialization and clusters of activities appearing in different parts of the corridor. Eventually, the corridor becomes a continuous system of expanded towns and villages that form linear i-cities. This frequently blurs the limits and boundaries of the corridor's i-cities, and many end up suffering from the very elements they were intended to avoid. Traffic congestion, growing water and air pollution and decreased economic efficiency are all common symptoms of unbalanced or deficient development in this kind of urban settlement.

China's urban areas have grown at an unprecedented rate, and will continue to do so in the coming decades

I-cities in Pacific Islands

It is important to note that the urban systems and i-cities of Pacific Islands' small countries tend to revolve around the capital city, often with fewer than 100,000 inhabitants. Urban development is generally characterized by low density, with growing levels of informal settlements. Most port/airport i-cities have grown reliant on tourism and governmental policies to drive economic development. Distance, poor logistics and a generally low skills base – together with extreme vulnerability to climate change effects – have hindered the development of i-cities' economies in Pacific Island nations.

3.2.2 Trends and national urban policy responses in Asia-Pacific i-cities

The diversity of Asia-Pacific countries makes it hard to analyze NUPs in the region without emphasizing the importance of their economic and social contexts, as well as the variation and differences in their design and implementation. Most countries are facing the effects of urbanization, i.e. spatially unbalanced urban development; rural-to-urban migration; increased concentration in the main metropolitan agglomerations; development of urban slums; and inadequate infrastructures and urban services, particularly in peri-urban areas of metropolises and i-cities. Even those countries that do not currently show high levels of urbanization will experience increasing rates in the coming decades. Most are already dramatically affected by the impending challenges of climate change, increased disaster exposure, and short-term environmental sustainability – especially in the Pacific Ocean's archipelagos and island states.

During the last few decades, many countries in the region strengthened the role of local governments in urban management, particularly through decentralization (Indonesia and Philippines) or increased local administrative and fiscal autonomy (China and Vietnam). Developed countries in the region have also bolstered the role of their local governments. Decentralization processes, however, have not been fully completed (or have even regressed) in India, Malaysia, Pakistan, Sri Lanka and Thailand. Here, state, provincial and central governments still concentrate most power and resources. In other countries, local governments remain at an embryonic stage.

Countries in the region are, however, moving towards the development of more coherent urban policies. Centralized governance systems and smaller states tend to put national urban development policies in the hands of central government. Some federal states, or at least those whose structures fit a more fragmented model, have favoured a more decentralized urban policy approach. Lastly, large economies with significant socio-political weight like China, India or Indonesia do not even have proper NUPs but rather have relied on national plans and/or sectoral initiatives. Thailand has not developed an NUP; meanwhile the Bangkok Metropolitan Authority has designed

its own policy instrument to deal with urban development issues in the area.

China's urban areas have grown at an unprecedented rate, and will continue to do so in the coming decades. Its urban system follows a concentrated blueprint that raises important questions, such as how to deal with unbalanced territorial development, growing social inequalities and environmental issues. Among the challenges for urban policies in China in the next few years are the need for more efficient and greener urban planning; local public finance reforms; social inclusion – in particular the 'unrecognized' status of rural migrants accessing the cities – as well as better land management for urban expansion, and improved coordination of urban policies. It is worth noting that, since December 2014, the *hukou* system is being reformed to facilitate regulation in small towns and intermediary cities.[135]

Conversely, India – despite its fast-growing economy – is urbanizing at rates below those of other developing countries and, at this pace, is not expected to pass a 50% urban population threshold until 2040. Larger cities are confronted with extreme inequality, extensive slums, and inadequate infrastructures and essential services. Launched in 2005, the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) is probably the closest India has had to an NUP. It brought about a significant 'paradigm shift' by introducing cities into national development objectives and establishing a USD 24 billion investment programme over a seven-year period.[136] The JNNURM was replaced in June 2015 by the 'Smart Cities Mission', with the aim of assisting the development of 100 cities through a USD 15 billion investment (see Box 3.3).

Instead of a comprehensive NUP, Indonesia is building on key governmental plans[138] to pool adequate human, financial and administrative resources and build political consensus to support metropolitan areas and small cities shifting to a local development approach. The country's geography, moreover, requires urban policies that tailor development measures to a scattered archipelago that extends right across the region and hosts one of the world's largest populations. Similar challenges have confronted the Philippines, whose urban policies[139] suffer from problematic horizontal and vertical collaboration among local authorities and with central government. Informality is still a sensitive issue in the country; access to basic services and infrastructures is insufficient, and the lack of financial and human resources has prevented an effective, consistent response to urban challenges. This is all the more necessary as human settlements across the country are increasingly threatened by recurrent natural disasters.[140]

Developed countries in the region such as Australia and New Zealand have been adopting NUPs. Australia's 2011 'Our Cities, Our Future' focuses on cities with more than 100,000 inhabitants; New Zealand's National

BOX 3.3 SMART CITIES MISSION: INTERMEDIARY CITIES IN THE URBAN AGENDA OF INDIA

The 'smart' cities involved in the Indian government's recent plan share a few characteristics that aim at comprehensive urban development. These features revolve around investment in basic infrastructure, robust IT connectivity, e-governance and citizen participation. This will promote **mixed land use** in area-based developments; policies for **housing and inclusiveness** that expand housing opportunities for all; **walkable localities** to reduce congestion, air pollution and resource depletion, while also **boosting the local economy**, promoting social interactions, and ensuring more security. The programme also aims at **preserving and developing open spaces** such as parks, playgrounds and recreational spaces to enhance the quality of life of citizens, reduce the urban heat effects and promote a better overall eco-balance. The Mission aims to **promote a variety of transport options** – transit-oriented development (TOD), public transport and last-mile para-transport connectivity. The Mission's expectations rest on the goal of a **more citizen-friendly and cost-effective governance** that increasingly relies on online services to strengthen accountability and transparency. Smart cities within the Mission seek **an identity for the city and the application of smart solutions for infrastructure and services**. Out of the 98 cities selected to implement the integrated strategy of human development, nearly a half (46) are intermediary cities. Only five of them, however - Solapur, Davengere, Belgaum, Kakinada and Udaipur - were included in the programme's first implementation phase. This was swiftly revised in successive iterations of the programme and the i-cities involved now include Warangal, Bhagalpur, Imphal, Panaji and Agartala – the last four also being capitals of the country's least populous federate states.[137]

Policy Statement on Urban Development was launched at the end of 2015, with a public consultation. Both countries have progressed their integrated approach to urban policy, and their national strategies are among a few that address the integration of secondary and intermediary cities. Korea is developing a national urban strategy to cope with urban challenges such as regional disparities (49% of the population is concentrated in the Seoul's metro area); the growing pressure of urban areas on the environment, and ageing.[141]

Other countries have been promoting urban policies through different sectoral policies to foster economic development (Vietnam[142] or Malaysia,[143] for instance). A country like Pakistan, with the centrality of the city long-standing in its social organization, has experienced progress and performant service provision in its metropolises, but it is still looking at NUPs as a way to achieve better integration of its systems of cities.

I-cities in the Asia-Pacific region have been proven to contribute to overall development especially in polycentric systems of cities, but differences between i-cities and metropolises or megacities are expanding

Several other countries have adopted different strategies to promote smooth rural-to-urban transitions (Bangladesh, Cambodia) or to cope with the effects of conflict-induced migration and natural disasters (Nepal, Sri Lanka). Bangladesh has been struggling since 2006 to develop an NUP whose goals included the improvement of urban planning and land management capabilities and the protection of the urban environment and its water resources.[144] Cambodia is in the process of developing a national urban development strategy for 2014-2018. Nepal created its first NUP in 2007 and established the Ministry of Urban Development in 2012. Following the 2015 earthquake and for the next few years, however, most resources will be concentrated on reconstruction. Sri Lanka introduced its first NUP in 2010, aiming to become the 'Pearl of the Asian Silk Route'. The document was replaced and updated in 2015.[145]

In the Pacific, outside the large mainland nations (Australia and New Zealand), small island states or archipelagos are facing structural (if not geographical) difficulties in the establishment of a reliable infrastructure, the reduction of informality, and the strengthening of their capacity for key urban policy action. Climate change effects and a threatening vulnerability to natural disasters (hurricanes, flooding, wildfires) have also moved to the top of the urban agenda.

A common element of NUPs in the Asia-Pacific region is that intermediary cities, though mentioned in several strategic documents, do not feature strongly. The United Nations Economic and Social Commission for Asia and the Pacific (UN-ESCAP) has given strong support to countries in the region to build urban policies that promote integration and the development of systems of secondary cities.[146] The importance of functional linkages between systems of cities has also been stressed by the Asia-Pacific Economic Community (APEC).[147]

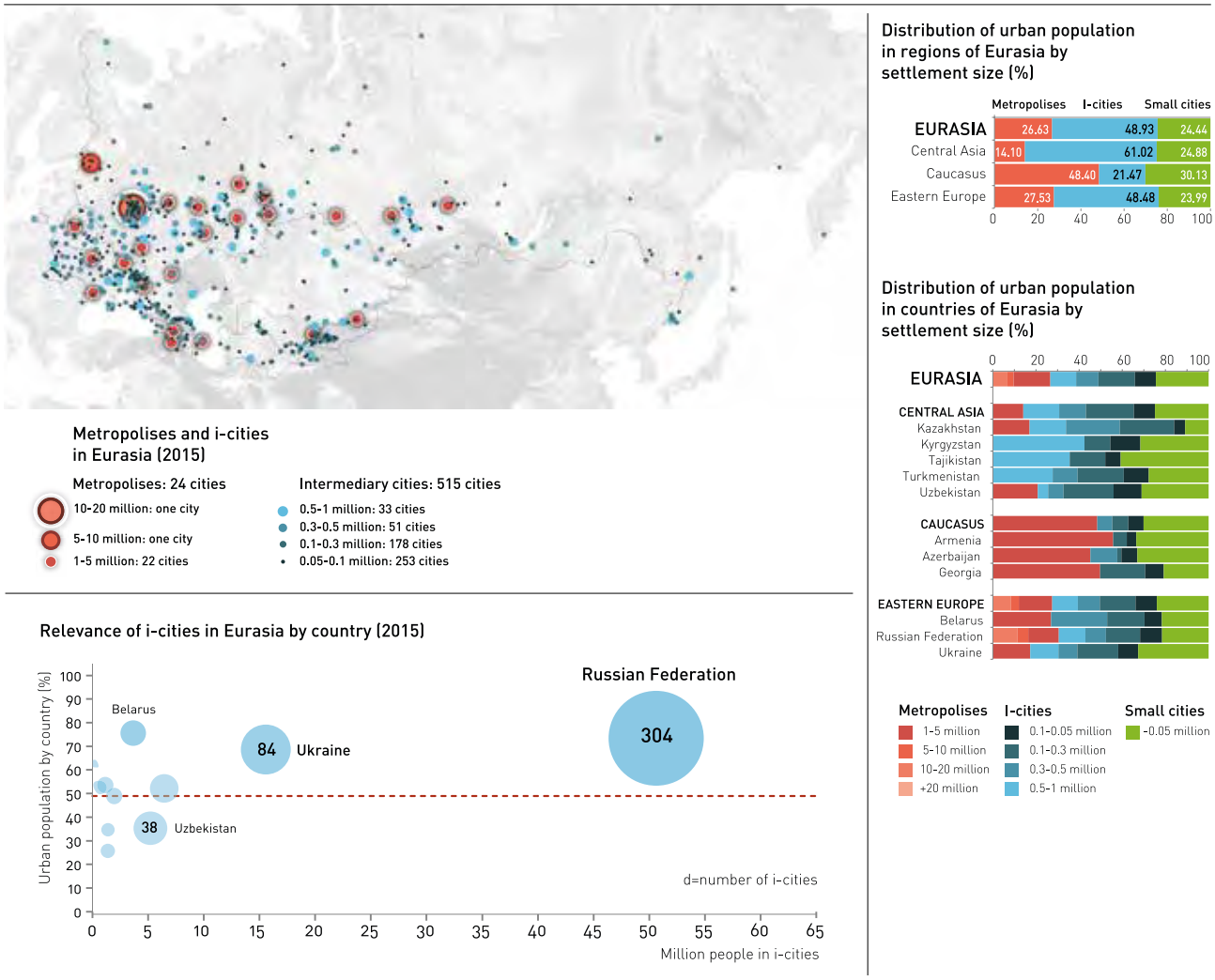
Within the framework of the preparatory debates ahead of the UN Habitat III 2016 Summit, the representatives of the Asia-Pacific region have agreed on the Jakarta Declaration on 'Sustainable Urbanization to Accelerate Development'. **This document acknowledges the need for enhanced dialogue on urbanization and its effects horizontally across borders and vertically across governance levels**. But it also sets out key strategic directives for future region-wide coordination on urban development and its impact. The Declaration does not expressly refer to i-cities. Yet its recognition of the need for 'systemic solutions' and 'planned, productive and integrated city growth', and the call for cooperation among stakeholders 'to manage the increasing diversity and demographic complexity' of Asian-Pacific cities, are pivotal points of a rational and integrated roadmap for i-cities to follow in the coming years.

I-cities in the Asia-Pacific region have been proven to contribute to overall development especially in polycentric systems of cities, but differences between i-cities and metropolises or megacities are expanding. This affects the ability of regional i-cities to contribute to a more equitable distribution of wealth and production. The challenges facing i-cities in Asia still relate mainly to the improvement of system interconnectivity (roads, railways, communications); weak local governance and financing; and ineffective strategic urban policy, particularly in terms of implementation.

3.3
URBAN SYSTEMS AND INTERMEDIARY CITIES IN EURASIA

Figure 3.4 **EURASIA distribution of population by settlement size and urban population weight in i-cities**

Source: UCLG and CIMES-UNESCO.



3.3.1 Spatial integration and functional balance of Eurasian i-cities

Eurasia covers the territory's three sub-regions: Eastern Europe, the Caucasus countries and Central Asia.[148] The region is made up of 11 countries, nine of which are landlocked, and covers one sixth of the Earth's total land surface. Eurasian states had formed part of the Soviet Union before it broke up in 1991.[149] The total population of the region stands at about 279 million inhabitants, with an urban population of over 180 million people (2015), 59% of whom are in the Russian Federation. More than 73% of inhabitants in Russia and Eastern Europe live in urban areas. This rate falls to 56% in Caucasus countries, while in Central Asia it drops to 40%. There are a total of 24 metropolitan areas and 515 i-cities in the region. Almost 49% of the population live in i-cities, although there is significant variation among countries. The median size of i-cities is approximately 171,000 inhabitants.

Compared with Europe, the distances between Eurasian cities are significant. In European Russia, regional centres (most of which are i-cities), are located about 200km from each other, a figure that is even higher in the Asian part of the country. **There are significant differences in the patterns, structures and factors that have shaped the development of i-cities across the region**. Historically, the strong influence of the Soviet legacy on the entire region's institutional, planning and socio-cultural systems is undeniable. The level and rates of development and urbanization, however, vary enormously. Population growth rates in Eastern European and Caucasus countries are falling, affected by rapidly ageing demographic trends, while annual population growth rates in Central Asian states have hardly risen.

Each country in the Eurasian region has adopted its own definition of the status and classification of urban settlements, based on population, socio-economic and political significance, and other criteria.[150]

The economic transition that followed the events of 1991 created a tendency towards concentration, agglomeration and urban sprawl, especially in larger cities and national capitals

Monocentric/polycentric regional spatial structure in Eurasia

The structure of urban population varies across the region. In Armenia, Azerbaijan, Georgia, Kyrgyzstan and Tajikistan, 35%-50% of the total urban population is concentrated in capital cities. Meanwhile, in the Russian Federation, Belarus, Kazakhstan, Turkmenistan, Ukraine and Uzbekistan, the urban population is more distributed among large agglomerations, i-cities and small towns.

The economic transition that followed the events of 1991 created a tendency towards concentration and urban sprawl, especially in larger cities and national capitals. While national population growth rates are falling, most capital cities have increased their relative demographic importance.[151] In the Russian Federation, the number of cities with more than 1 million inhabitants grew from 13 in 1990 to 15 in late 2012. Similarly, the population of most cities with over 500,000 inhabitants in Russia and 250,000 inhabitants in Belarus has grown, especially since the second half of the 2000s. Conversely, many medium and small-sized i-cities in the region are shrinking and experiencing a significant economic decline. In the more arid parts of Uzbekistan, Tajikistan and Turkmenistan, i-cities are greatly dispersed and have been functioning mainly as regional administrative, education and agricultural centres.

Coastal, inland and landlocked Eurasian cities

Spatial systems of cities vary across the region. Most Eastern European i-cities are located on predominantly flat or undulate land along an extensive network of river waterways. Central Asian i-cities are nestled mainly in fertile valley systems. Remoter i-cities, isolated from the main agglomerations, tend to fare worse socio-economically and have the additional challenge of having lost most of their employable young population to more successful clusters of cities. The dynamics of ageing populations and rural-to-urban migration have also fuelled this disparity.

Functional balance of Eurasian i-cities: clusters and corridors

Under Soviet rule, expanded towns and new municipalities were systematically created in Eastern Europe and Central Asia, primarily to meet the needs of the Soviet Union's national economy. These i-cities were often developed as 'monocities', single industry towns that responded to the needs and goals of major industrial programmes at the national level and integrated into production chains throughout the Soviet Union, rather than being embedded in or designed to stimulate local economies.[152]

A substantial part of the region's population is concentrated in clusters of cities that extend east of Saint Petersburg and Minsk, through Moscow. This system of cities extends northwards to Ekaterinburg, Astana, Omsk and Novosibirsk, and southwards to Rostov, Tbilisi, Baku, Tashkent and Almaty.

Armenia and Azerbaijan are two of the region's countries that benefit geostrategically from their position along the gas and oil pipeline infrastructure that unites the Caspian and Black Seas, and to have succeeded in putting their own cities on the global map. The Tbilisi (Georgia)-Baku (Azerbaijan) corridor links almost all intermediary cities of both countries – including some historically relevant specialized clusters, such as Gəncə (Azerbaijan), a renowned centre of silk manufacturing. Ambitious projects, such as the Kars-Akhalkalaki-Tbilisi-Baku railway (which aimed to connect Azerbaijan and Turkey through Georgia, bypassing Armenia with its persistent conflict and tensions) have for years been trying to use i-cities as hubs and checkpoints in key infrastructural

development. In the Russian Caucasus, a parallel corridor joins Machačkala (Dagestan), Grozny (Chechnya) and Nal'čik (Kabardino-Balkaria) with Krasnodar. The corridor is all the more significant, given the underlying conflictual tensions that have characterized these regions for generations.

3.3.2 Trends and national urban policy responses in Eurasian i-cities[153]

The breakup of the Soviet Union in 1991 led to the end of its centrally planned economy, the rupture of established inter-republic economic relations and, consequently, to serious difficulties in securing industrial raw materials and energy resources. After the inevitable economic decline of the early 1990s, most countries accelerated the modernization of their economies. Some countries' GDPs are, however, still below their 1990 levels – as is the case with Georgia, Kyrgyzstan, Tajikistan and Ukraine.[154]

This restructuring process entailed an even greater polarization between larger and lower-tier cities, as well as between central and peripheral regions. Job loss, increasing inequalities, migration towards capitals and major cities, stagnation of small and medium urban settlements, including in particular the many mono-industrial towns of the Soviet era and those that remained outside of the central core corridors of development, all became structural issues affecting the urban development of the entire region.[155]

However, some i-cities in many parts of Russia, Kazakhstan, Azerbaijan and Turkmenistan are benefitting from emerging economic trends, especially in the production and export of oil, gas, minerals, metals and chemical products. Improvements have also been seen in i-cities connected to ports, transportation gateways and cross-border trade opportunities for import-substitution activities, as well as in smaller cities attractive to the tourism sector. In addition, clusters of i-cities around larger cities with specific economic advantages are growing. However, many have experienced the adverse effects of proximity to megacities – loss of local jobs and the gradual transformation into a megacity's residential periphery. Importantly, the wealth produced by i-cities embedded in extractive and mining economies has in general been accumulated in national and regional capitals, or overseas via foreign financial actors active on the global market and not in the i-cities themselves. This is feeding an increasing inequality and a lack of economic opportunities.[156]

For most urban settlements, however, the transition towards a market economy has entailed a decline in access to basic services and a downward trend in the quality of their provision. The former Soviet regime left behind a set of urban infrastructures for public utilities (water, sanitation, transport, heat supply, among others), although generally characterized by high production costs and inefficient use of resources. **In the past decade, basic service provision and infrastructure management have stabilized and showed signs of improvement**. A majority of i-cities, nonetheless, still face growing costs to maintain and renew this infrastructural system. This has led to significant service disruption in many cities of the Caucasus and Central Asia.

Forty percent of the housing that was formerly public and was privatized in the 1990s has significantly deteriorated. This has affected citizen's quality of life, increased the cost of energy, and had a detrimental effect on cities' environmental impact. Faced with relatively poor energy efficiency, countries such as Russia and Belarus have launched specific national programmes, aimed at larger agglomerations of residential buildings to spread energy-efficient practices. Other countries are implementing pilot programmes and initial evaluations (Armenia, Kazakhstan and Uzbekistan). In general, throughout the region the scale of new energy-efficient house construction has been modest. The incremental transformation of land tenure and housing provision towards a market system has led to considerable and increasing urban sprawl, putting an additional strain on soil use in cities' hinterlands, especially in Central Asia and the Caucasus. In Eastern European i-cities, where the population has scarcely grown or even declined, 'centric' areas have deteriorated most as a result of urban sprawl, heightening maintenance and infrastructural problems. An ageing population, moreover, is constraining housing and healthcare service provision.

Regional tensions and conflicts are also having an impact on the stability of governments and their capacity to keep those i-cities close to conflict zones safe and secure. Flawed or uneven administrative reforms and partial decentralization processes have left many i-cities with unclear powers and reduced resources and capacity

This restructuring process entailed an even greater polarization between larger and lower-tier cities, as well as between central and peripheral regions

to face current challenges. I-cities have seen their control over processes of urban development, long-term territorial planning and natural resources decrease. Blurred distribution and duplication of functions, powers and competences between the central and regional levels of the executive power have affected management performance in many i-cities, as has the lack of funding to implement the necessary development programmes.

Urban planning – once central to urban policies in the region – has become progressively less effective, following the breakup of the Soviet Union. **The relationship between spatial planning and economic and human resource development remains weak**. Even though the official discourse upheld balanced territorial development, the actual political priorities of the region have focused, in the last few decades, on creating core economic growth by strengthening the role of metropolitan areas (Moscow and Saint Petersburg in the first place) with a focus on transport infrastructures and the amalgamation of surrounding settlements. Several countries in the region, such as Armenia and Georgia, are at various stages of formulating NUPs, but these are still either incomplete or not integrated into more comprehensive national economic, transport and human resources policy frameworks.

The future of i-cities in post-Soviet countries has been particularly affected by national governments' other policies and has generally neglected in overall territorial and urban policy agendas. In Russia, intermediary and small cities tend to revolve around specialized economies and a low business diversification. Many i-cities find it difficult to adjust to the decline in heavy manufacturing industries, to diversify their output and revamp their local economies. This quickly escalates into problematic capital and investment attraction. Several i-cities have also experienced significant population declines due to lower fertility rates and outward migration of youth and entrepreneurs, an issue that seems bound to persist in the future for many Eurasian i-cities. As mentioned above, this is with the exception of those that have managed to transition to, and take advantage of, new export-oriented economic trends.

National, regional and local policy-making systems are vertically hierarchized. The decision-making process cascades down to i-cities with a direct impact on small settlements and rural areas, whose existence is thereby dependent on dynamic interaction among such cities. The deterioration of their systems, a lack of investment in their economic and social interconnectedness, and insufficient capacity to recognize and address their specific issues, are compromising their potential territorial integration and development prospects.

As noted in the UN-ESCAP report, 'the changing of the status of the region, which

was previously isolated from the global economy, will require a new understanding of the role of cities and the creation of a new urban framework. The new paradigm calls for a major reconfiguration of the cities' role at both national and regional level, including the emergence of new leading cities with industrial, innovation, transport and logistics potential'. Much greater attention must be given to increasing i-cities' potential to generate productive employment, attract investment and improve international linkages.[157]

Decentralization of powers should be legislatively reinforced through the administrative and financial empowerment of local authorities. As a converging process, this should also contribute to the formulation of well-balanced national policies, with the creation of mechanisms at the central level that are able to stimulate i-cities' development and modernization. More endogenous base development is required to revitalize the material and social capital and assets of i-cities, resorting to knowledge, information, creative and technology-based industries, while reducing their reliance on imports. The long-term prosperity of i-cities is not, however, just an economic matter. New local policy frameworks should foster cultural heritage and educational opportunities – catalysts of a high quality of life for residents and citizens in the long term, especially in the context of post-industrialization and modernization of economies, lifestyles and participation.[158]

The environmental impact of urban areas, climate change adaptation and mitigation actions, as well as disaster management, should also be addressed through adequate urban planning and the modernization of infrastructures and services. Adequate policies can help to address the phenomena of 'shrinking' that have affected many i-cities, promoting denser, more compact cities and looking for solutions to ever more serious ageing and migration issues. I-cities should be better integrated into spatial trade and economic development corridors. Eurasian countries need to include i-cities in their national strategic programming when designing transportation infrastructure improvements that could become the basis for a region-wide development axis – which has enhanced the effectiveness of urban policies in other regions. Eurasian countries would benefit significantly from adopting a comprehensive urban policy framework that explicitly formulates concepts and strategies of urban and spatial development. To do so, they will need to develop much more open, collaborative and inclusive approaches to urban governance. Eurasian governments have a responsibility to enhance their economic policies and link these to urban planning in order to overcome the challenges that are holding back many countries in this region, and capitalize on the many available opportunities towards more efficient, sustainable and inclusive urban development.[159]

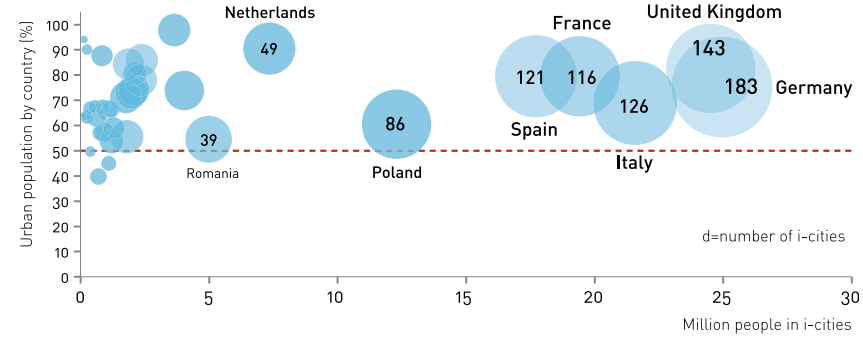
The new paradigm calls for a major reconfiguration of the cities' role at both national and regional level, including the emergence of new leading cities with industrial, innovation, transport and logistics potential

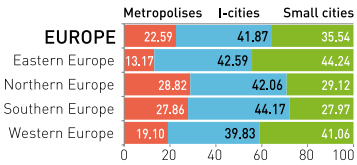
Photo: ppl / Shutterstock.com - Astana (Kazakhstan Republic).

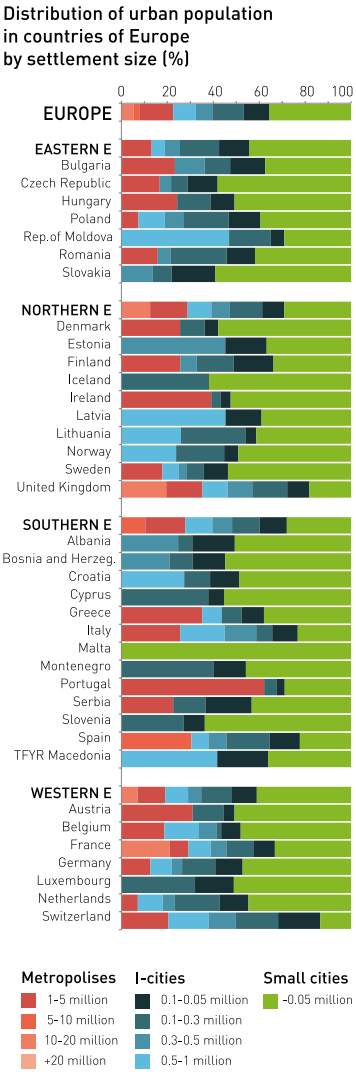
3.4
URBAN SYSTEMS AND INTERMEDIARY CITIES IN EUROPE

Figure 3.5 **EUROPE distribution of population by settlement size and urban population weight in i-cities**

Source: UCLG and CIMES-UNESCO







3.4.1 Spatial integration and functional balance of European i-cities

Europe is the world's region with the highest proportion of urban population living in intermediary cities (41.9%). I-cities with fewer than 300,000 inhabitants in particular, host one quarter of Europe's entire urban population, compared with 22.6% living in metropolises. The third most urbanized region on the planet, Europe hosts 12% of the world's population settled in intermediary cities, after Asia (45%) and Africa (12.3%), and ahead of Latin America (11%).

Even though i-cities are relevant in each of Europe's sub-regions, just six countries concentrate 775 out of a total of 1,136 i-cities across the continent. These i-cities have 120.4 million inhabitants or 71% of Europe's whole i-city population and 30% of the whole urban population of Europe. The six countries are: Germany (183 i-cities and 40% of the urban population); the United Kingdom (143 i-cities and 46%); Italy (126 i-cities and 51%); Spain (121 i-cities and 47%); France (116 i-cities and 37%); and Poland (86 i-cities and 53%). Northern countries, moreover, host over 37% of their urban population in i-cities, even though small cities with fewer than 50,000 inhabitants are still prevalent (48% of the urban population).

Monocentric/polycentric regional spatial structure in Europe

Europe's urban system is a valuable example of a polycentric system with high territorial cohesion. Significantly, 65% of the EU's territory is covered by 45-minute commuting from urban areas, especially in Central and Western Europe.[160] Despite being Europe's least urbanized area, Eastern Europe also has a polycentric urban structure. Eighty-seven percent of its urban population live in intermediary and small cities. In Poland, for instance, larger i-cities such as Kraków, Łódź, Wrocław and Poznań have been losing population and yet manage to be functionally competitive with the metropolitan area of Warsaw – whose population, on the contrary, has steadily increased since the 1990s. On the other hand, in Hungary, Budapest's preeminence is absolute, with the capital having the same population as Hungary's other 18 cities. In smaller countries in Western Europe, such as Switzerland, the Netherlands and Belgium, 66%, 48% and 33% of their urban populations, respectively, are concentrated in i-cities well-connected to their respective capitals. Together with the Zurich area, the Geneva-Lausanne-Bern-Basel corridor hosts 50% of Switzerland's urban population.

Europe's North and South have the smallest concentration of population in i-cities. Portugal's system is 'bicentric' and articulated between the poles of Oporto and Lisbon and hosts 60% of the urban population when just 8.9% of the total population reside in i-cities. A similar pattern can be seen in Spain, where the Madrid-Barcelona binomial makes up 30% of the whole country's urban population, even though its 121 i-cities form a continual extended network that shapes various corridors on the Mediterranean coast and inland, especially through intermediary provincial capitals. In Italy, Milan and Turin are the backbones of a network of well-connected i-cities in Italy's largest plains known as the Po Valley and share the country's most developed territorial infrastructures. In the centre, Rome and Naples are the urban gateways to a system that, in the South, relies almost exclusively on intermediary and small cities, deeply linked to the rural environment and economy. In Scandinavia, urban development is greatly affected by the scarce population and massive territorial extensions in Sweden, Norway and Finland. Oslo concentrates 23.8% of the entire Norwegian urban population and connects to Bergen, Stavanger and Trondheim through an urban coastal system internally divided by large distances. In Sweden, small cities of fewer than 50,000 inhabitants host 53.6% of the whole urban population, with Gothenburg and Malmö as the main i-cities in the system – the latter is also pivotal in the Øresund region, together with Denmark's capital, Copenhagen.

Europe's urban system is a valuable example of a polycentric system with high territorial cohesion

Coastal and inland European intermediary cities

Europe's urban system of i-cities is one of the world's most complex. **The high density, territorial connectedness and economic and functional integration with both metropolitan and rural areas, make differences among coastal, inland and enclaved cities much less apparent**. The urban population is quite evenly distributed geographically, but the coast plays an important role, hosting 35% of the population.[161] River waterways – like the Danube or the Rhine – are traditional industrial cores that host a number of inland i-cities.

While i-cities along the coast or the Alpine arch link to form strategic urban corridors, many regional i-cities that are not

well-connected have also been central to inland rural development in major European economies. Such is the case in Lleida (Spain), Limoges (France), Erfurt (Germany) and Lincoln (United Kingdom), the less populated areas of Scandinavia and Eastern Europe's large plains. Countries like France, Germany, Spain or Italy also show significant differences in development and competitiveness between coastal and inland i-cities, even though many of them have been able to buck such trends by leading, for instance, the agro-alimentary and tourism industries.[162]

Functional balance of European intermediary cities: clusters and corridors

National capitals are essential to the economies of many European countries.[163] In France and the United Kingdom, for example, i-cities have benefitted from their proximity to global cities like Paris and London, the most accessible and connected areas in the region. I-cities such as Oxford, Brighton and Southampton (United Kingdom) have repositioned themselves among larger metropolitan areas as clusters of creative industries.

Thanks to a mix of long-standing spatial systems and policies that have long fostered spatial balance, German i-cities have developed as manufacturing or administrative centres, with a strong tradition of regional and international market integration. Mainz, Karlsruhe and Münster (Germany), for example, form a significant bio-pharmaceutical cluster, hosting an emerging industry that links chemical manufacturing with research and university centres. In Northern European countries, Aalborg (Denmark) or the small i-city of Gävle (Sweden, north of Stockholm) have been leading the digital industry in software design and e-commerce.

Technology and mobility clusters have benefitted from spill-overs in the automotive industry of the Stuttgart area (Germany), and Wolfsburg, 75km east of Hannover, hosts the headquarters of Volkswagen. Grenoble's micro-electronics cluster has thrived in the Rhône-Alpes region (France), one of the continent's core areas for applied research. Rzeszów, a city of just 185,000 inhabitants in southern Poland, one of the least connected areas of Europe, has nonetheless developed an important aero-spatial cluster, as shown by the emergence of the Aviation Valley association of businesses in the industry.

The Trans-European Networks (TEN) policy revolved around ambitious EU-funded projects and goals in transport (TEN-T programme) and energy (TEN-E programme) infrastructure and connectivity

The agro-alimentary industry also has significant weight in the produce economies of several Southern and Eastern European regions. Logroño, capital of La Rioja region in Spain and centre of one of the most important wine clusters in the world, and Almería, the area with the world's highest concentration of greenhouses and centre of the Mediterranean's most intensive agro-alimentary and horticultural industries, stand out in the Spanish landscape of i-city clusters. Finally, Section 2 has already mentioned the specialized clusters of northern and central Italy, which were the original impetus for an integrated European policy on productive clusters in the first place.

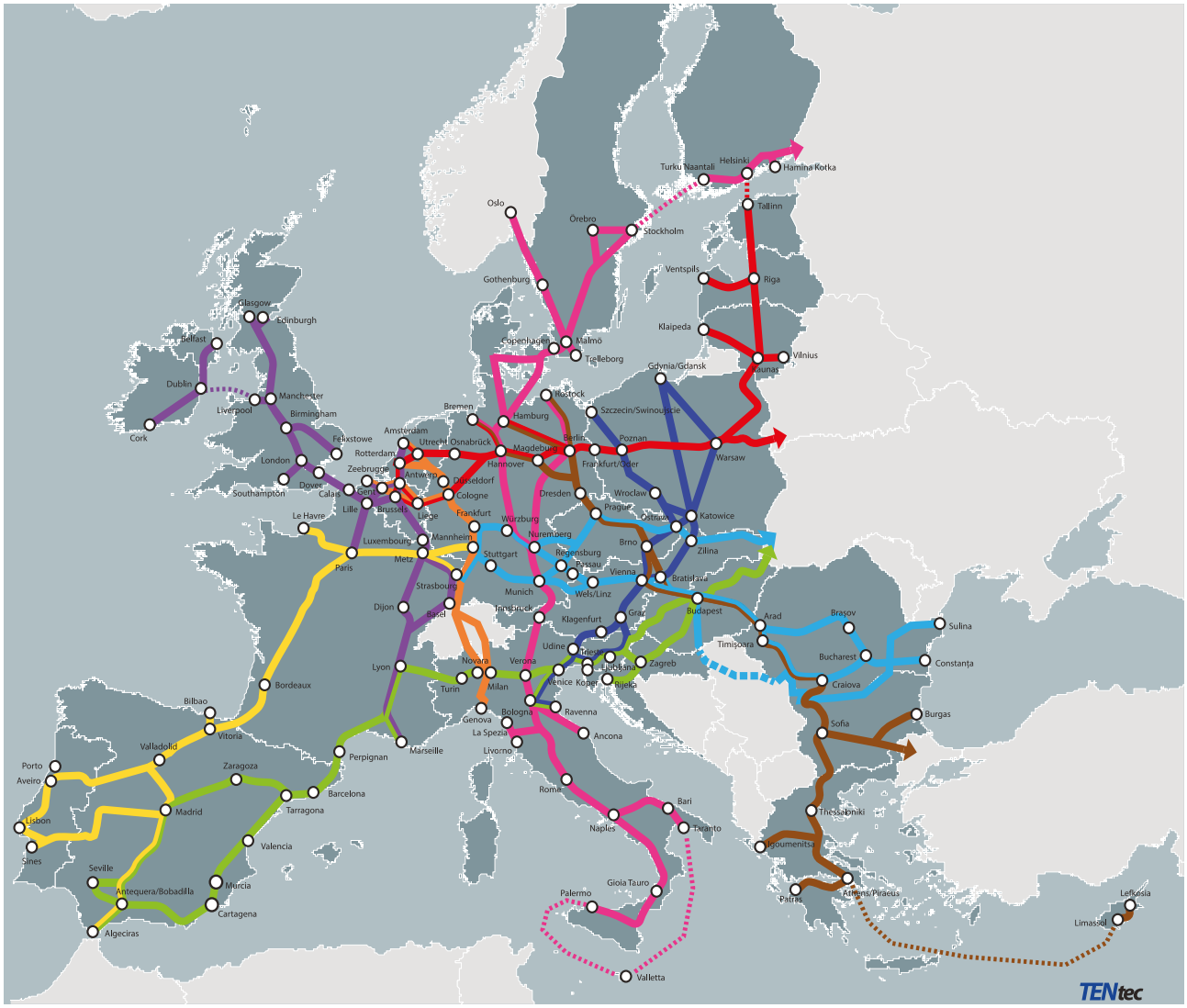
Urban corridors have also been pivotal in EU policies. A framework for interconnected corridors across Europe was first established in 1996. The Trans-European Networks (TEN) policy revolved around ambitious EU-funded projects and goals in transport (TEN-T programme) and energy (TEN-E programme) infrastructure and connectivity. The policy was significantly revamped in 2014,[164] with a new financial framework[165] and a strong link to the overall sustainability and competitiveness objectives of the EU, under its EU2020 flagship programme. The map of the new TEN infrastructural goals (see Figure 3.6) shows the depth and pervasiveness of the EU's investment in strategic productive corridors across the whole of Europe.

Several examples of effective corridors stand out. The Randstad region in the Netherlands, in fact a polycentric metropolitan area of 7 million inhabitants, comprises 21 mid-sized cities in a crescent-shaped corridor from Utrecht in the east to Dordrecht in the south and Alkmaar in the north. The region forms a ring of four large urban agglomerations (with a population of between 1.3 and 0.5 million inhabitants), Amsterdam, Rotterdam, The Hague, and Utrecht, as well as 17 medium and small-sized municipalities, such as Almere, Delft, Leiden and Haarlem.

The Dutch planning system was designed to link cities along the major road and rail corridors and strategically place employment centres in smaller i-cities to distribute occupation around the country and avoid an over-concentration of jobs in larger cities. The development of the European transport and railway systems has resulted in many i-cities being linked along these corridors, both within a country and between different countries (see Box 3.4).

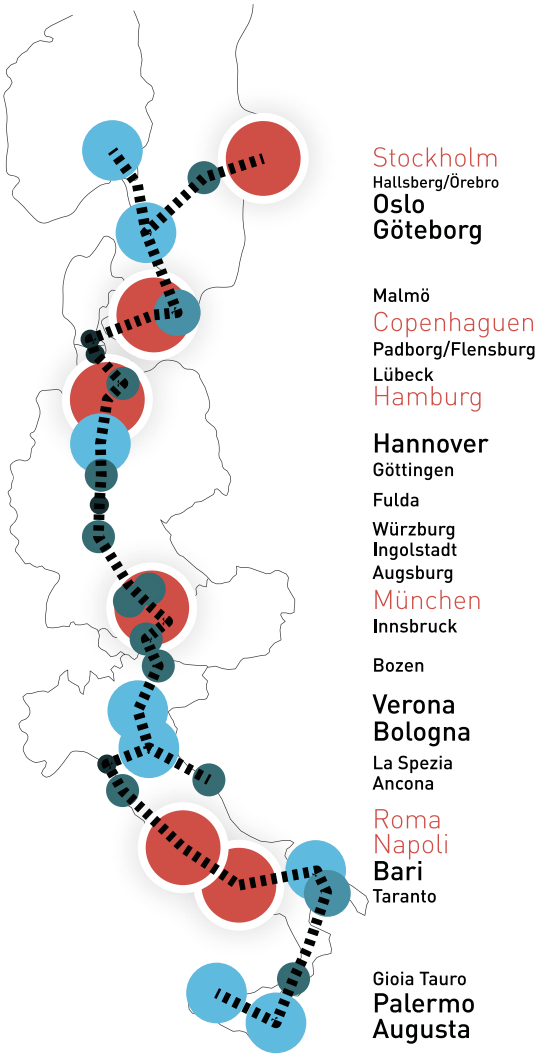
Figure 3.6 **TRANS-EUROPEAN Networks (TEN) corridors**

Source: http://ec.europa.eu/transport/infrastructure/tentec/tentec-portal/site/



The development of i-city corridors has been relevant in Southern Europe too. Together with the long-standing support of corridors across the continent,[166] the EU has encouraged the emergence of cross-border cooperation between cities e.g. Biarritz and San Sebastian between France and Spain, or Basel and Freiburg between Switzerland and Germany. Many of the TEN corridors in Figure 3.6, moreover, are located along pre-existing, historically active social and economic corridors, which, over the last two decades, have evidently benefitted from the modernization, infrastructures and homogenized standards imposed by EU policies. Within the framework of the Dutch Presidency of the Council of the EU (during the first semester of 2016), a 'EuroLab' on labour mobility was set up among Dutch, Belgian and German cities, together with an urban agenda, to identify the obstacles and shortcomings in European regulation that hinder consistent and effective urban development in the region.

BOX 3.4 EUROPE'S SCANDINAVIAN-MEDITERRANEAN CORRIDOR



The Scandinavian-Mediterranean corridor is the longest of the nine core network corridors delineated across Europe by EU policies.[167] It connects economic centres and ports such as Helsinki, Stockholm, Copenhagen, Berlin, Rome and Valletta, and stretches from Scandinavia down to southern Italy and Malta, while connecting high-productivity areas of southern Germany, Austria and northern Italy. Logistically, it crosses the Baltic Sea and reaches ports on the Tyrrhenian, Adriatic and Ionian seas. The corridor has become a crucial North-South axis at the core of Europe's economy. The most important pending projects along this corridor include the Fehmarnbelt fixed immerse link, connecting Sweden to Germany through Denmark, and the Brenner base tunnel between Austria and Italy. Both will address certain interconnectivity issues and bottlenecks that affect freight movement capacities across the region and significantly improve transport efficiency and economic performance.

While the corridor passes through some of the biggest cities in Europe, there are also many i-cities located along it. Many of these have small and medium-sized industries, assembling and providing a broad range of products and services that access and leave the area's industry supply chains along the corridor's course. The corridor provides access to those Mediterranean ports that are growing, thanks to their links to the world's largest container-ship routes from other continents. Cities sited on European economic trade corridors are also becoming attractive for investment, as a result of their improved accessibility to markets and the specialized infrastructure that has been developed to support the policy's projects and prospects.[168]

3.4.2 Trends and national urban policy responses in European i-cities

There is significant variation in national urban policies (NUPs) across European countries, although the EU aims to present itself as a proactive driver to give the urban policy domain a genuinely European political and strategic direction.[169] An all-encompassing EU urban agenda has a number of challenges. **Cities include a large range of human settlements that, while they create opportunities, are particularly vulnerable to economic cycles and downturns in local labour markets.** Europe, moreover, is characterized by a large diversity of spatial settlements,[170] as some portions of the territory remain prevalently rural (western and central areas of Spain such as Castile and Extremadura and central areas of France, Poland, Romania or Moldova, for instance). At the same time, others show huge urban concentration (e.g. Germany, Belgium, the Netherlands or England). Demographic trends in the European landscape have also been inconsistent: many intermediary medium-sized cities, for example in East Germany, have experienced a decline in population while others benefit from the arrival of immigrants or face significant ageing. It is estimated that 40% of European i-cities with a population of 200,000 or more have

lost population. 'Shrinking' i-cities are often connected to radical changes in economic specialization (e.g. the decline of steel, mining and metal industries in Katowice, Poland, and Timisoara, Romania). This is another key challenge that EU urban policy has recently taken up[171] – especially in terms of rural-urban relations and the promotion of mid-sized or intermediary cities as nodes in polycentric national urban systems.[172]

Traditionally, cities have been highly relevant in Europe's regional and national policies. As evidence of this trend, the Dutch Presidency of the Council of the EU promoted, in May 2016, the approval of the 'Pact of Amsterdam', a new EU urban agenda that now informs the policy debate about EU development priorities, including decentralization and empowerment of cities and their local governments. The Pact builds on the legacy of key strategic European urban policy documents – the Leipzig Charter on Sustainable European Cities (2007); the Toledo Declaration on Urban Development (2010); the Riga Declaration on the EU Urban Agenda (2015) – and couples the EU's urban policy vision with the comprehensive EU2020 objectives and the challenges the EU faces, up to 2050. Like its strategic predecessors, the Pact of Amsterdam was the initiative of the EU Member State holding the Presidency of the Council of the EU at that time, demonstrating how the EU and its institutions can progress urban policy.

On the one hand, the Pact of Amsterdam is key to recognizing the intrinsic relationship between EU urban policy and European cities. The urban level is, after all, where myriad EU legislative acts are implemented and historically successful cooperation among EU countries has taken place, e.g. the European Territorial Cooperation Programme (URBACT); the European Observation Network for Territorial Development and Cohesion

Photo: Andrea Ciambra - Palermo (Italy).

(ESPON); as well as European cities and local government networks such as Eurocities, the Council of European Municipalities and Regions (CEMR), Eurotowns, and dozens of thematic networks. On the other hand, the Pact serves as a roadmap for the future of EU urban policy, setting out next institutional steps towards better regulation, funding and knowledge-sharing, and providing a common unchanging stance for international institutions and frameworks, including Habitat III. Many of the strategic visions developed at the European level, moreover, revolve around the intermediary or mid-sized cities. The large proportion of the European population living in these settlements; their role in dealing with today's economic, social and environmental challenges; and their support to the functioning of larger agglomerations and metropolises, are all key tenets of the long-term policy plan developed by the Pact, as well as several other key European urban policy documents.

The strategic documents that have paved the way towards an EU Urban Policy Agenda are proof that the European level is finally creating the conditions and providing the resources for NUPs to converge on common objectives and shared values and visions

As another example, in the run-up to the 2016 Habitat III meeting, the representatives of the European members of the UN Economic Commission for Europe (UNECE) approved, in March 2016, the Prague Declaration on the 'European Habitat'. This document sets out the key strategic points that are shaping the urban debate in Europe. While focusing on pressing threats such as climate change effects, marginalization of vulnerable communities and inclusive local governance, the Declaration also invites national governments to consider 'strategic planning of human settlements in a polycentric and balanced territorial development' – a testament to the importance of territorial integration in Europe's urban tradition and a key strategic goal for i-cities.

European urban policy also has a lasting impact on domestic policies, since it sets the background for the development of national frameworks and plans. France, for instance, is a traditionally centralized country yet its cities are nonetheless a constant policy interlocutor.[173] France's structural *Politique de la Ville*, originally devised in the 1980s, has been significantly reshaped in the 2010s, with a systematic attempt to promote strengthened cross-level dialogue, easier access to financial resources for local governments, and simplified intra-national administration – in line with international and European guidelines. Territorial fragmentation has been simplified, several agencies have reorganized or unified,[174] and channels for local participation in decision-making have been improved.[175] The General Commission for Territorial Equality (CGET) is in charge of managing the relationship with the European Structural and Investment Funds.

Germany, on the other hand, is a federal state with strongly multi-layered urban governance[176] that distributes the authority and capabilities to shape a common urban policy at the local, regional and national level. The 2007 memorandum, 'Towards a National Urban Development Policy in Germany', is currently the main roadmap in the definition of a consistent NUP. This builds on active collaboration between the local level (through the German Association of Towns and Municipalities and the German Association of Cities and Towns) and the *Länder* (federal states). The policy is promoting open platforms for horizontal cooperation, as well as enhanced funding mechanisms for self-governance initiatives. The role of the federal government as a mediator and 'consensus-broker' at the national and European level, however, remains critical.

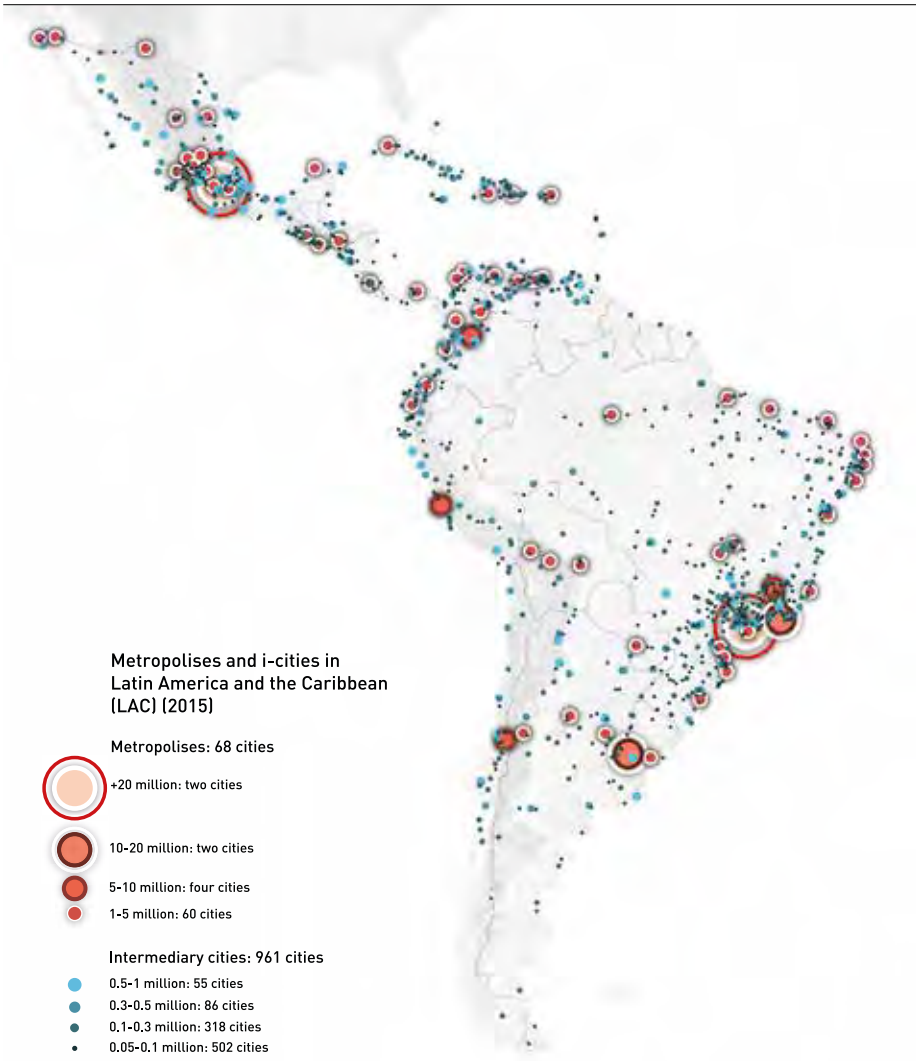
Issues such as integrated urban governance and economic development (e.g. Serbia), rural-urban development inequalities (e.g. Norway), or centre-periphery disparities between metropolitan areas and their surroundings (e.g. Moldavia) have informed the debate on NUPs, also in those European countries not part of the EU. Even though horizontal cooperation at the continental level has had an impact in this regard, framing issues in a global context – such as Habitat III – has helped shape European urban policies' goals and methods.

The examples above show that in spite of the diversity and fragmentation that characterizes governance in Europe, especially when it comes to the relationship between the centre and the local level, NUPs have been guided by the European level. The strategic documents that have paved the way towards an EU Urban Policy Agenda are proof that the European level is finally creating the conditions and providing the resources for NUPs to converge on common objectives and shared values and visions.

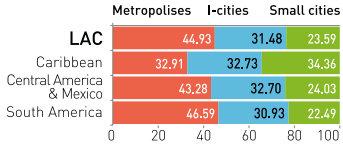
3.5
URBAN SYSTEMS AND INTERMEDIARY CITIES IN LATIN AMERICA AND THE CARIBBEAN

Figure 3.7 **LATIN AMERICA AND THE CARIBBEAN urban agglomerations and distribution of population by settlement size**

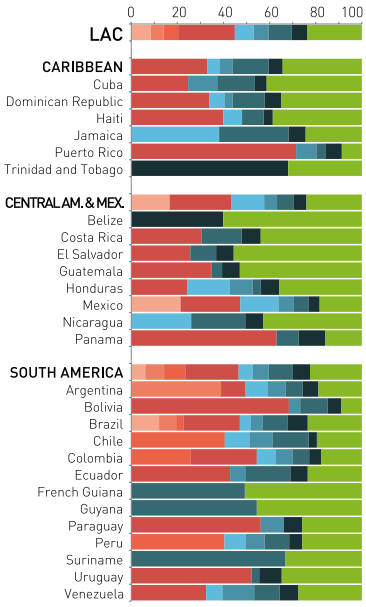
Source: UCLG and CIMES-UNESCO

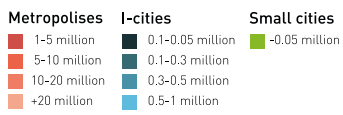


Distribution of urban population in regions of Latin America and the Caribbean (LAC) by settlement size (%)

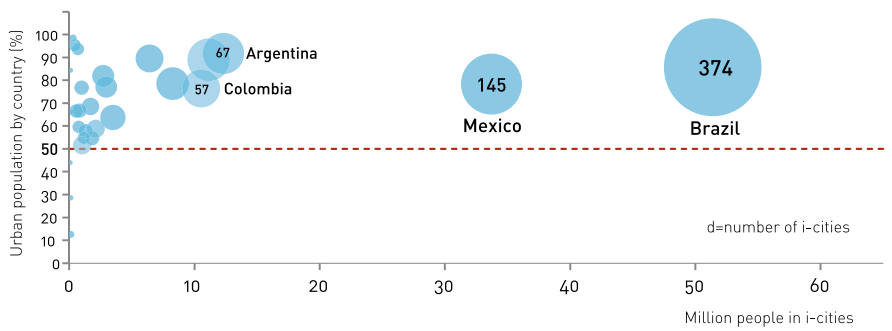


Distribution of urban population in countries of Latin America and the Caribbean (LAC) by settlement size (%)





Relevance of i-cities in Latin America and the Caribbean (LAC) by country (2015)



3.5.1 Spatial integration and functional balance of Latin American and Caribbean i-cities

Of Latin America's 961 intermediary cities, 693 (72.1%) are located in South America, mostly in the region's largest economy, Brazil. It concentrates over one third of all i-cities in Latin America, followed by Mexico (15% of the total), Venezuela (7.3%), and Argentina (6.9%). **Brazil and Mexico are also the region's main emergent economies**, accounting for 54% of the entire urban population of Latin America settled in i-cities. Cuba and the Dominican Republic, on the other hand, stand out amongst countries in the Caribbean Sea as the most populous countries in the region and account for 57% of the Caribbean population living in i-cities.

Monocentric/polycentric regional spatial structure in Latin America and the Caribbean

Most urban systems in Latin America and the Caribbean are dominated by monocentric or bicentric systems. In South America, the urban systems of Argentina, Chile, Paraguay, Peru and Uruguay show a hypertrophic capital city pattern (their capitals concentrate between 32% and 56% of those countries' total urban population). In Argentina, Buenos Aires' population is ten times that of the country's two other largest metropolises and its 67 i-cities host 32% of the urban population. In Chile, the same population is concentrated in the capital, Santiago, as in its 30 i-cities. Central American and Caribbean countries, although to a lesser extent, show a similar pattern. Panama City concentrates 63% of the urban population of the whole republic. Guatemala City has 18 times the population of Quetzaltenango – the country's second largest city – while, at the same time, all of Guatemala's i-cities are located within a 100km radius of the capital. Bolivia and Honduras have a bicentric or tricentric model (two or three cities concentrate 68% and 43% of the urban population respectively). I-cities in these two countries host 22% and 39% of the urban population in 12 and eight cities respectively.

Brazil, Colombia, Mexico and Venezuela are the only countries with a more polycentric urban system pattern – even though in the first three, the largest city is much bigger than the next (Mexico City alone concentrates 21% of the urban population of the whole country; Bogota, 20%; São Paulo and Rio de Janeiro, 12% and 7% respectively). In Brazil, more than 50 million people – 30% of the urban population – live in 374 i-cities of mainly 100,000 to 300,000 inhabitants (10.8%) and 100,000 to 50,000 inhabitants (8.6%). Most Brazilian i-cities are concentrated in a radius of 300km from Rio and São Paulo, along the coast of the north-eastern states and in the States of Paraná, of Santa Caterina and Rio Grande do Sul in the South. Colombia has 57 i-cities that host 28% of the urban population, as well as six agglomerations with more than 1 million inhabitants (54% of the urban population). Mexico has the second largest megacity in the region, followed by 13 agglomerations with more than 1 million inhabitants and 145 i-cities, in which 34.3% of the urban population dwells (16.5% with between 500,000 and 1 million inhabitants). Venezuela hosts 33% of its urban population in its five metropolitan areas and 40% in 71 i-cities.

Photo: Lina Gast - San Juan de Pasto (Colombia).

Coastal, inland and landlocked Latin American and Caribbean i-cities

Approximately 42% of the population of Latin America and the Caribbean are concentrated in a 100km wide coastal strip, which amounts to only 20% of an extensive

territory of the Amazon. In South America, however, apart from a number of coastal cities, there is a relatively sparse group of cities settled across the Andean mountain system, which in most cases evolved from pre-Hispanic settlements. In the main, cities of colonial heritage that are heavily concentrated in coastal areas or along maritime routes of strategic value, have mainly prospered during the process of industrialization in the second half of the 20th century, thereby preserving the competitive advantages of their location.[177] Of similar relevance is the development of Bolivia's 'half-moon', an intermediary hub across the country's eastern region, its plateau and the Mercosur region, where i-cities like Montero, Warnes and La Guardia have flourished around the metropolitan pole of Santa Cruz.

Mexico hosts a significant number of large landlocked i-cities, such as Chihuahua and Delicias, even in its arid northern states: the city of Hermosillo manages a municipal territory of 18,000km^2, an area equivalent to the whole of El Salvador. In South America, isolated cities are concentrated mostly in the Amazon provinces or the southern provinces of Argentina. I-cities with more than 300,000 inhabitants include Iquitos (Peru), Boa Vista, Rio Branco and Porto Velho (Brazil), all of which have important extractive industries. Heritage cities such as Cuzco (Peru) and Potosí (Bolivia) are located in the Andean region and focus mostly on tourism. In Argentina, the largest isolated i-cities are Neuquen, Trelew and Rio Gallegos, as well as Ushuaia, the southern-most city in the world. Cúcuta (Colombia), San Cristóbal (Venezuela), Pedro Juan Caballero (Paraguay) and Ponta Pora (Brazil) are other examples of isolated i-cities growing on a border enclave economy.

Functional balance of Latin American and Caribbean i-cities: clusters and corridors

Most Latin American and Caribbean countries have now developed programmes aimed at the improvement of their micro, small and medium-sized enterprises' productivity and competitiveness. They have done so by also promoting the creation of clusters that have occasionally transcended the regional scale of domestic consumption and grown into global competitors. Five typologies of clusters can be identified:[178]

- Clusters of 'survivor' micro and small enterprises in low-specialization manufacturing sectors, generally located in larger i-cities and integrated within the informal sector, presenting alternative employment opportunities given the lack thereof;
- More advanced and specialized small and medium-sized enterprise (SME) clusters with stronger productivity capacities that have been steadily accessing national and international markets, as is the case with the shoemaking industry in Novo Hamburgo (Brazil), in the Porto Alegre area, or agro-industrial and metal clusters in Rafaela (Argentina);
- Clusters of the farming, mining and logging manufacturing such as Colombia's coffee cluster that involves i-cities such as Manizales, Pereira, Armenia or Ibague, or the sugar cluster of the Cauca Valley, including nearly 40 municipalities;
- Service clusters linked to high added-value knowledge economy, such as those developed in Brazil by inner cities such as Londrina and Maringá, in the State of Paraná, and connected to Campinas and Florianópolis, usually referred to as Brazil's 'Silicon Valley';
- Transnational clusters, such as the automotive industry clusters in Ramos Arizpe (Mexico) or Resende (Brazil), or cities with significant concentrations of the textile industry along the border between Mexico and the United States. These include Nogales, Agua Prieta, Ciudad Acuña, Piedras Negras (the most populous city of the state of New Laredo), and their 'twin' American cities on the other side of the border.

Many urban corridors in Latin America and the Caribbean are articulated in i-cities of different sizes, mainly along the coast, but also in interior corridors adapted to the Andean orography

Many urban corridors in Latin America and the Caribbean are articulated in i-cities of different sizes, mainly along the coast, but also in interior corridors adapted to the Andean orography. All the i-cities of Guatemala, El Salvador and Nicaragua are aligned in a 1,000km corridor on the Pacific coast, from Tuxtla Gutiérrez, the capital of the Mexican State of Chiapas, to Granada, south-east of Managua (Nicaragua). The Caracas-Merida axis, along the Andes, and the Ciudad Bolívar-Barcelona corridor, linking the Orinoco basin to the Atlantic coast, are the key corridors of Venezuela. Chile's geography has inevitably favoured the emergence of a corridor along the Pacific coast, linking the resort city of Puerto Mont to Santiago with over ten i-cities in between, all with a population of fewer than 300,000 inhabitants, e.g. Talca and Curicó. In Brazil, the different tributaries of the Amazon

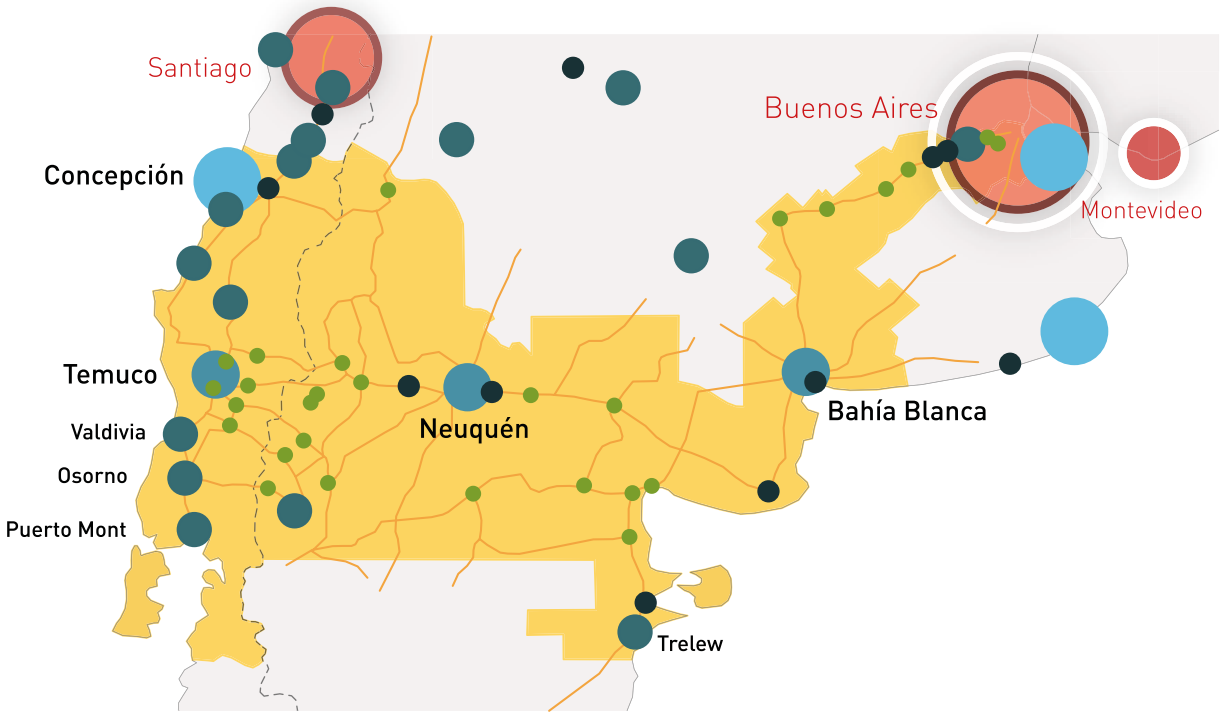
River marked the development of small i-city corridors linked to agro-industrial and extractive activities. On a different scale, the three megacities of the Southern Cone – Rio de Janeiro, São Paulo and Buenos Aires – form a regional corridor that supports more than 20 i-cities, many of them systemically integrated, such as Londrina, Maringá and Uruguaiana (Brazil) or Salto (Uruguay) (see Box 3.5). The area of São Paulo alone, however, concentrates a number of inner corridors, such as the São Paulo-Bauru-Aracuba-Tres Lagos axis; the São Paulo-Campinas-São José do Rio Prieto corridor, and the São Paulo-Ribeirão Prieto-Uberaba-Uberlandia corridor, which reaches the Federal District of Brasilia.

BOX 3.5 LATIN AMERICA MERCOSUR TRADE AND ECONOMIC DEVELOPMENT CORRIDOR

The Mercosur (*Mercado Común del Sur or* Southern Common Market) is a sub-regional bloc that includes Venezuela, Brazil, Paraguay, Uruguay and Argentina.[179] This has the aim of establishing a free-trade area across South America. The Mercosur has laid the groundwork for the emergence of a trade and economic development corridor that runs from Rio de Janeiro (Brazil) to Valparaíso (Chile), through Mendoza (Argentina). This Mercosur-Chile corridor joins together a number of economic hubs connected to different major transport corridors. It covers an area of 3.46 million km^2. Its population comprises 36.8% of the five countries' total population.

The corridor links four of Latin America's largest urban economies with a network of smaller i-cities. It contributes to almost 46% of the total GDP of those five countries that form the sub-regional bloc and together had an average annual growth rate of 3.7% in 2012. The development of the corridor has brought about many benefits for i-cities, yet there are significant challenges when it comes to removing barriers to trade and investment among all the countries in the corridor. The map shows the Mercosur-Chile economic and development corridor.[180]

Map showing the Mercosur-Chile economic and development corridor



3.5.2 Trends and national urban policy responses in Latin American and Caribbean i-cities

Latin America and the Caribbean began their demographic and urban transition after the Second World War, with the significant impact of economic migration from Europe and internal displacements from rural areas towards both capital cities and the main secondary cities (e.g. Rosario or Córdoba in Argentina). A number of countries in the region progressively adopted policies of import substitution and industrialization after the 1929-1930 Great Depression and the Second World War, in particular large economies such as Brazil, Argentina and Mexico. In the 1970s, the global oil crisis stressed the risks of this model, triggering a debt crisis that 'conditioned' many Latin American economies until the 1990s (the so-called 'lost decade').

During this period, urban growth continued at different paces in all larger i-cities (and to a lesser extent in smaller ones) mostly through rural-to-urban migration. In some areas, this included the population fleeing conflict zones, as was the case in Colombia (36% of urban population growth in the 1980s) and Central America. Since the late 1990s, 'demographic transition' in South America has stabilized (the urban population was 75% of the total population in 2000 and 80% 15 years later). Migration has turned into a mainly inter-urban phenomenon, whereby the younger employable population is moving from cities that offer fewer working opportunities to more dynamic ones. In some regions, this has also elicited migration across neighbouring countries' borders. Significantly, these recipient cities are no longer just metropolises.

In most countries in the region, this process has merged with ongoing 'democratic transition'. This is eliciting political decentralization, strengthening the role of local governments, and supporting democratization, also through participative democracy and innovative city governments (such as Porto Alegre, Ilo, Villa El Salvador, Manizales, Medellín, Rosario and many others). Moreover, while urban growth in major metropolitan areas has increased at a slower pace in past years, the population of i-cities has continued to grow even though in most cases they have not had adequate economic and technical resources to deal with the shocks and risks that stem from this growth. Such weaknesses have prompted widespread peri-urban growth and the creation of new informal settlements which, particularly in i-cities, require more effective public-driven land management policies to fight urban dispersion and fragmentation.

In general terms, Latin American regions have evolved at variable speeds in the face of diverse realities and challenges. Inequality between and within i-cities and metropolitan areas has been increasing. In landlocked i-cities in fragile ecosystems such as the Amazon, urban expansion tends to aggravate environmental problems created by extensive agricultural development and logging. Weak planning and territorial management beyond urban areas are still a vulnerability for many Latin American economies.

Photo: Nico Kaiser - Mendoza (Argentina).

In recent years, along with restructuring their economic and regional systems, many countries have embarked on urban reforms. There is increasing recognition that together with achieving a better balance of economic and social development, Latin American countries need to improve the management and development of their cities to boost their attractiveness. Countries such as Brazil, Bolivia, Colombia, Ecuador and Mexico have developed NUPs with different priorities: control of urban expansion, urban mobility, metropolitan governance, i-city cooperation and more balanced territorial approaches (see Box 3.6 on the Colombian experience). Ecuador has developed a national territorial strategy, with nine zones for sustainable urban development. This is to strengthen municipal powers and includes the concept of *buen vivir* ('good living') in the national constitution. Brazil initiated substantial legal reforms (e.g. introducing the Statute of Cities) and in 2003, created the Ministry of Cities (*Ministério das Cidades*), assisted by the Council of Cities (*Conselho das Cidades*), a deliberative entity of representatives from local authorities and civil society. This process provided the impetus for the development of urban policies, with the aim of promoting more equity, efficiency and social inclusion in cities. As a result, by 2013, almost all municipalities with more than 500,000 inhabitants had adopted a master plan. However, the results are still uneven, as many reforms were only partly implemented and investments in urban areas remain insufficient. Brazil's current political crisis is jeopardizing these policies' continuity.

In most cases, however, **national sectoral urban policies are primarily designed to address the problems of larger urban areas and tend not to contribute specifically to issues with which i-cities and smaller municipalities are concerned**. NUPs must acknowledge the contribution of i-cities to economic advancement, strengthen i-cities' regional leadership and support the creation of economic corridors and clusters that improve competitiveness and inter-municipal cooperation. This requires improvement of physical connectedness (transport, communications, energy), as well as bolstering access to lending in support of public service delivery and local economic development. For many Latin American i-cities, cooperation with the hinterland and regional integration are gateways both to enhanced economic and social opportunities and the reduction of structural inequalities between rural and urban areas. Regional integration projects and institutional frameworks such as the Union of South American Nations (UNASUR), the Central American Integration System (SICA), and Mercosur should play a major role in policies that promote inter-city cooperation, strategic infrastructural planning, and reduced bureaucratic red tape. In this regard, empowering institutional mechanisms such as Mercosur's Consultative Forum of Cities and Regions, that brings together municipalities, federate states, provinces and departments of Mercosur member states,[182] can be an invaluable instrument of progress and cooperation.

BOX 3.6 COLOMBIA AND THE CITY SYSTEM MISSION

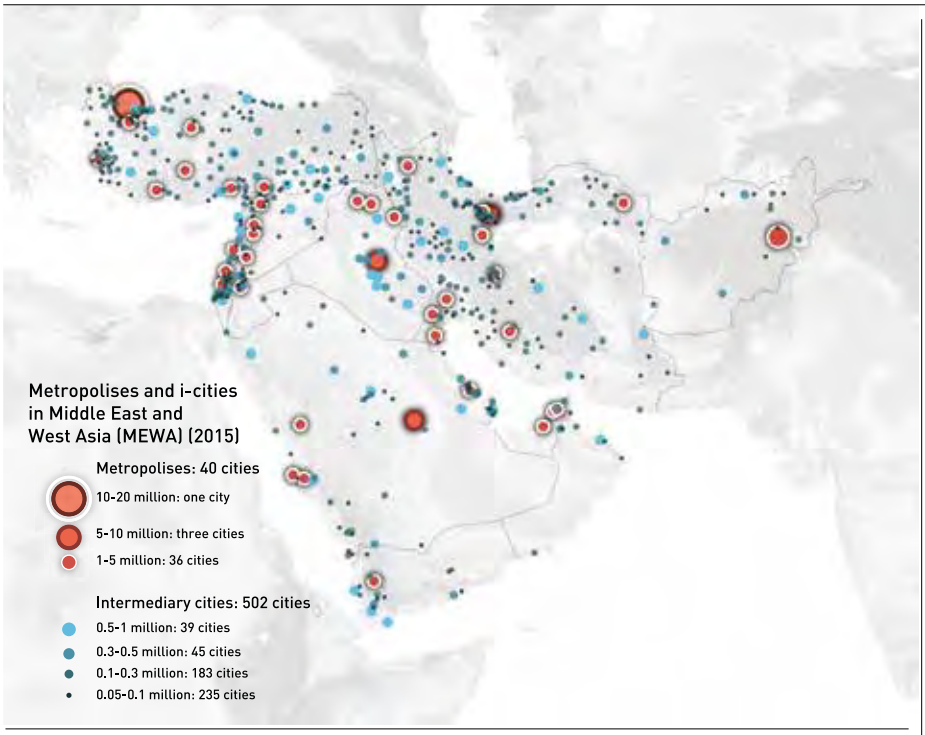
Through its 'Prosperity for All' national development plan (NDP) 2010-2014, the Colombian government recognized the need to bolster its city systems and reap the benefits of agglomeration economy and urban development as tools to reduce regional inequality and poverty. The City System Mission set up by the NDP in 2012 published in 2016 a synthesis report *A National Policy for a System of Cities in Colombia with a Long Term Vision*. This highlights the physical isolation and weak economic specialization of many Colombian i-cities, because of a general weakness in territorial infrastructures, institutional coordination, financial mechanisms and supra-municipal management. The Mission tries to overcome this situation by acknowledging the role of corridors and integrated urban-regional sub-systems. It identifies three main groups of i-cities: a) associations of mono-nodal i-cities, e.g. Bucaramanga and Barrancabermeja; b) functional and economic corridors of i-cities, e.g. the Cafetero and Montería-Sincelejo axes; and c) historical corridors that have been steadily growing, e.g. the Bogotá-Fusagasuga and Bogotá-Cúcuta axes.

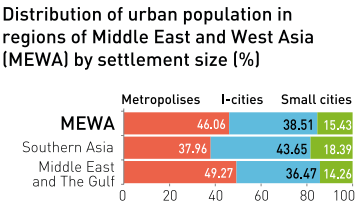
Ultimately, metropolitan areas are still the most relevant example of supramunicipal management in Colombia's system of cities and are certainly a model for many i-cities that are now beginning to cooperate. Similarly, the 'Plan Contracts' legislation introduced in 2012 has proved to be a valuable tool to foster territorial cohesion. This has improved coordination between central government and territorial entities to identify strategic projects with regional impact, especially as far as transport infrastructure, basic services, participation and diverse funding sources are concerned.[181]

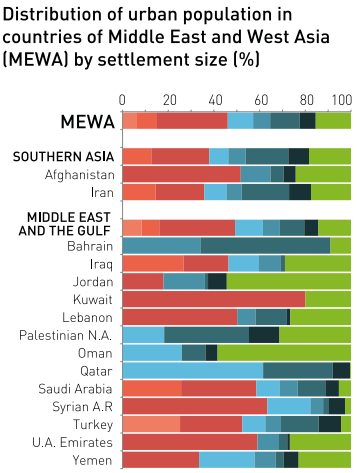
3.6
URBAN SYSTEMS AND INTERMEDIARY CITIES IN THE MIDDLE EAST AND WEST ASIA (MEWA)

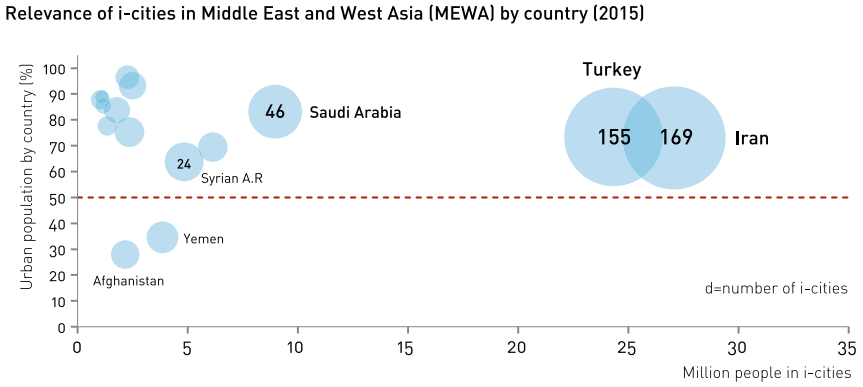
Figure 3.8 **MEWA distribution of population by settlement size and urban population weight in i-cities**

Source: UCLG and CIMES-UNESCO









3.6.1 Spatial integration and functional balance of MEWA i-cities

The MEWA region has 502 intermediary cities, which in turn host 38.5% of the country's 236 million urban dwellers. These figures make the region's level of urbanization (67.8%) the third highest in the Global South, after Latin America and Oceania. Iran and Turkey are the most populous and dynamic economies. Moreover, they have the highest concentration of i-cities (65% of all i-cities in the MEWA region), 57% of the i-city population and 22% of the urban population. This is followed at some distance by Saudi Arabia (46 i-cities), the Republic of Syria (24 i-cities), and the rest of

the smaller countries on the Mediterranean coast and the Arabian Peninsula. All these countries, however, tend to record high levels of urbanization, with the sole exception of Yemen (34.6%) and Afghanistan (28%).

Monocentric/polycentric regional spatial structure in MEWA

The structure of the systems of i-cities in the MEWA region varies significantly, according to the countries' population, area, climate factors and the number of cities they include. Those that are mostly rural such as Afghanistan and Yemen have developed hypertrophic metropolitan areas. Kabul (Afghanistan) concentrates 51.7% of the country's urban population, Yemen's capital, Ṣan'ā' 33.5%. Smaller Gulf countries concentrate almost their entire population in capital cities' metropolitan areas, as is the case for Kuwait City (with the important i-city industrial suburb of Hallawy), Dubai (Qatar), and the Sharjah-Abu Dhabi-Ajman metropolitan area in the United Arab Emirates (UAE).

Conversely, the largest and most populous countries in the MEWA region tend to develop polycentric urban systems. Iran, Iraq, Saudi Arabia and Turkey share this pattern. Iran's urban population is distributed across eight large cities and provincial capitals (35.6%) and 169 i-cities (46.6%), most of them in the smaller provinces in the north of the country, between the borders with Turkey and Iraq and the Caspian Sea. Most of Iraq's 14 i-cities are located in the Tigris and Euphrates' basin while its five larger agglomerations are all in the northern provinces. Despite having one of the world's most dynamic megacities in Istanbul (hosting 25% of the country's urban population), Turkey has developed a polycentric urban system articulated in seven metropolises and 155 i-cities distributed homogenously across the country's geography. Several concentrations of i-cities have grown up in the regions surrounding Istanbul and Izmir, on the southern Mediterranean coast, and along the Syrian border. In contrast with general trends elsewhere, about 40% of the urban population live far from the coastline or navigable waterways.

The largest and most populous countries in the MEWA region tend to develop polycentric urban systems

Coastal, inland and landlocked MEWA intermediary cities

The MEWA region was historically the cradle of stable urban human settlements, and some of its i-cities have in fact been urbanized for several millennia. I-cities in the MEWA region tend to be heavily concentrated along the coastline. On the Mediterranean coast, many important ports service large hinterland areas and inland cities, e.g. Tripoli, the second city of Lebanon, which has been a northern infrastructural 'anchor' for a string of i-cities that extend down to Beirut. Many of these ports are regional centres of i-city size (e.g. Latakia and Tartous in Syria or İskenderun in Turkey), rely on a broad mix of trade, services and industries, and have traditionally been terminals for cross-regional hydrocarbon transit. I-cities have also spread along the Black Sea coast (e.g. Eregåğli, close to Istanbul, and the Samsun-Giresun-Trabzon corridor in northern Turkey). In Iran, many are located on the Persian Gulf coast (e.g. Bandar-e 'Abās) and along the Zagros mountain range. In the Gulf States and Saudi Arabia, large-scale urban industrial development has been situated in specific export processing zones (EPZs).

The 'Fertile Crescent', delineated by the Tigris and Euphrates river system, hosts several inland i-cities. Inland systems of cities have also developed at the Turkish, Syrian and Iraqi border and well into Iran. Most inland cities in the MEWA region, however, are generally poorer, smaller and less accessible and developed than coastal cities. Several have grown according to a tight design and with high density, a tendency imposed by water scarcity and climatic conditions (e.g. Homs in Syria and Kayseri in Turkey), in contrast with the more common low-density 'garden city' design of coastal cities. Many in Afghanistan, Iraq, Palestine, Syria and Yemen, for instance, have been severely damaged by years of war and conflict in the past three decades. Other i-cities in the region are located in earthquake risk zones, e.g. Bam (Iran), which was badly hit in 2003. All these factors are inducing massive population movement, demographic shifts and skill losses in portions of the region where youth flee in search of opportunities in larger cities or other countries. **Conflict-prone for over a century, many areas of the MEWA region have traditionally suffered from structural difficulties, and obstacles to establishing thriving, stable and efficient states and economies**. Within their urban systems, i-cities are among the most vulnerable to this kind of uncertainty and instability.

Functional balance of MEWA i-cities: clusters and corridors

I-city clusters have been a more recent development of MEWA. These have generally grown around valuable economic

locations and interconnectivity and logistical assets. For example, an automotive industry cluster has developed in the Marmara region around Istanbul, reaching the Bursa metropolitan area and the i-city of Adapazari. This is mostly thanks to the area's reliable technical, transport, logistical and educational infrastructures. Exports – especially to the EU – have also been a driver for clustered industrial development next to logistical mainstays. In other parts of the region, as mentioned above, conflict and political instability have also prevented positive phenomena of i-city clustering, e.g. along the Lebanese and Palestinian coastline of the Mediterranean. In Palestine, the Israeli blockade and consequent control of territorial resources – especially when aggravated by war destruction – has been a determining factor.

Clustering and agglomeration outcomes have been different in areas richer in resources. Jīzān (Saudi Arabia) has developed its local economy through heavy industries in the energy and steel sectors, together with secondary textile, pharmaceuticals and biotech manufacturing. To shift economic growth to its secondary cities, Saudi Arabia has also been improving the infrastructure of the areas surrounding Asir, Hail, Hofuf, Tabuk and Taif.[183]

There is an emerging pattern of i-city corridor development in the region, in particular along the Turkish and Lebanese coastlines. These corridors, especially between Beirut and Tripoli (Lebanon), Antalya and Alanya, and Istanbul and Marmara Ereğlisi along the Sea of Marmara (Turkey), extend for over 100km and link various smaller towns and cities in a continuous linear agglomeration punctuated by cores of business activity. These developments are putting significant pressure on smaller local authorities to make it possible for the *de facto* i-cities to provide adequate essential services, deal with the impact on traffic and congestion, and promote sustainable development along coastline sectors that are expected to be subject to increased erosion and inundation risks. In the Gulf States, the phenomenon is mostly in the form of a series of planned urban-growth nodes along the inter-regional highway networks. In the Gulf area, a USD 25 billion project has been establishing with the aim of creating a regional rail system. Additionally, Saudi

Photo: Reibai - Shah Cheragh Mosque, Shiraz (Iran)

Arabia is establishing the Saudi Landbridge Project, a 1,000km rail line connecting Jeddah, Riyadh and Bahrain. If completed, these rail corridors would further consolidate the MEWA eastern coasts' settlements as a relevant and cohesive extended metropolitan region.[184]

3.6.2 Trends and national urban policy responses in MEWA i-cities

The driving factors of urbanization in the MEWA region are complex. Consequently, systems of the city and urban patterns tend to differ significantly from one country to another.[185] Doha, the metropolis capital of Qatar, has a GDP per capita of over USD 93,000 per year, compared with just USD 2,900 in Palestine, and even less in Gaza (USD 876).[186] These vast differences translate economically into a significant contrast in the quality of urban space and the design of urban policies.

The most advanced urban economies of the Gulf countries have world-class metropolises that have grown into global financial centres. Meanwhile, fragile economies such as Afghanistan, Yemen or Iraq face a constant challenge in just guaranteeing a minimum level of effective basic services for their inhabitants as well as governance for their cities, particularly in those smaller centres located farthest from larger metropolitan areas or close to areas of conflict. Accordingly, Afghanistan, one of the world's weakest economies, is looking to its NUP and spatial strategies to guide its urbanizing transition during the next three decades, and promote geographically balanced development. Its spatial strategy should aim to reduce the inward migration pressure on the capital, Kabul (already a primate city), by stimulating regional hub cities, harnessing resource and city corridors, and improving urban economy and job creation capacity. Afghanistan's NUP should promote more citizen-oriented urban development, with a strong focus on the respect, protection and promotion of human rights.[187]

Photo: Andrew Moore - Muscat (Oman).

National urban policies in MEWA countries cannot neglect the consequences of war, political conflict, and instability in the region. I-cities such as Irbid or Az-Zarqā' (Jordan) have experienced the impact of refugee inflows from neighbouring Syria (Mashreq countries, in general, are hosting 50% of the world's registered refugees). This is even though the Jordanian government has judiciously promoted policies to strengthen urban infrastructure and services for exposed communities and municipalities, so as to be prepared and adequately welcome and manage these mass movements. Similarly, the inflow of millions of migrants has meant dozens of eastern Turkish i-cities host the highest concentrations of refugees in the country. They have to deal with the management of refugee inflows often without adequate resources or support. Cities such as Tripoli (Lebanon), however, have shown remarkable resilience in post-conflict situations, introducing city plans to revitalize deprived and war-torn inner-city areas. In spite of all these improvements, however, **the refugee crises caused by both older and current conflicts are still a pressing issue for the governments of Turkey, Syria, Jordan, Lebanon, Afghanistan, Yemen and the Palestinian National Authority, one that affects national development and has had overwhelming consequences for urban governance**.

Gulf economies, on the other hand, face the challenge of diversification, as their one-commodity economies are increasingly vulnerable to external factors (e.g. raw material prices on the global market and reserve availability). Prospects are more favourable for those producers far-sighted enough to successfully diversify their economies and promote more sustainable development and smart growth at the urban level (e.g. the UAE).

Emerging economies such as Turkey and Iran are struggling with the modernization of urban areas and the limitations of peri-urbanization processes. They are in dire need of modernizing legislation, both to better manage the processes of irregular settlements and to increase the government's ability to prevent, regularize and/or upgrade informal settlements and activities. This is even more urgent in i-cities built in landslip and earthquake-prone areas, especially in Turkey. A comparable lack of regulatory discipline has also affected the urban systems of Lebanon, Jordan and Iraq, resulting in generally poor-quality construction, road networks and basic service provision. In central areas of Turkey, Iran and Yemen, inland i-cities in inhospitable or arid territories lack the fundamental connectivity to larger urban areas and access to logistics or more valuable markets and human capital to engage effectively in urban integration and development. The effect of this is most apparent in the Kurdish areas of the region.

Despite the (often extreme) conditions experienced by the countries in this region and the historical, cultural, social and economic fragmentation of many of them,[188] several have still made significant efforts to develop urban policies and/or promote urban reconstruction – as happened in Lebanon after the civil war, and Iraqi Kurdistan. Some countries have been discussing the development of urban policies. These include Kuwait (*2035 Vision*), Jordan (*2006 National Land-Use Plan*), Bahrain (*2007 NUP*), Oman (*2010 National Spatial Strategy*), and Saudi Arabia. Nevertheless, in most MEWA countries, the reconstruction of destroyed or severely damaged cities, and the effort to cope with refugee flows, will require intensive rehabilitation and sufficient capital. Funds will be needed to pay for housing, infrastructure and basic services to respond to fundamental human rights and needs. Reconstruction – not only physical but also economic, social and cultural – is likely to be the main challenge for conflict-torn countries, deprived as they currently are of human capital and basic resources. Development in the MEWA region, and in i-cities in particular, necessitates peace and stability in the first instance.

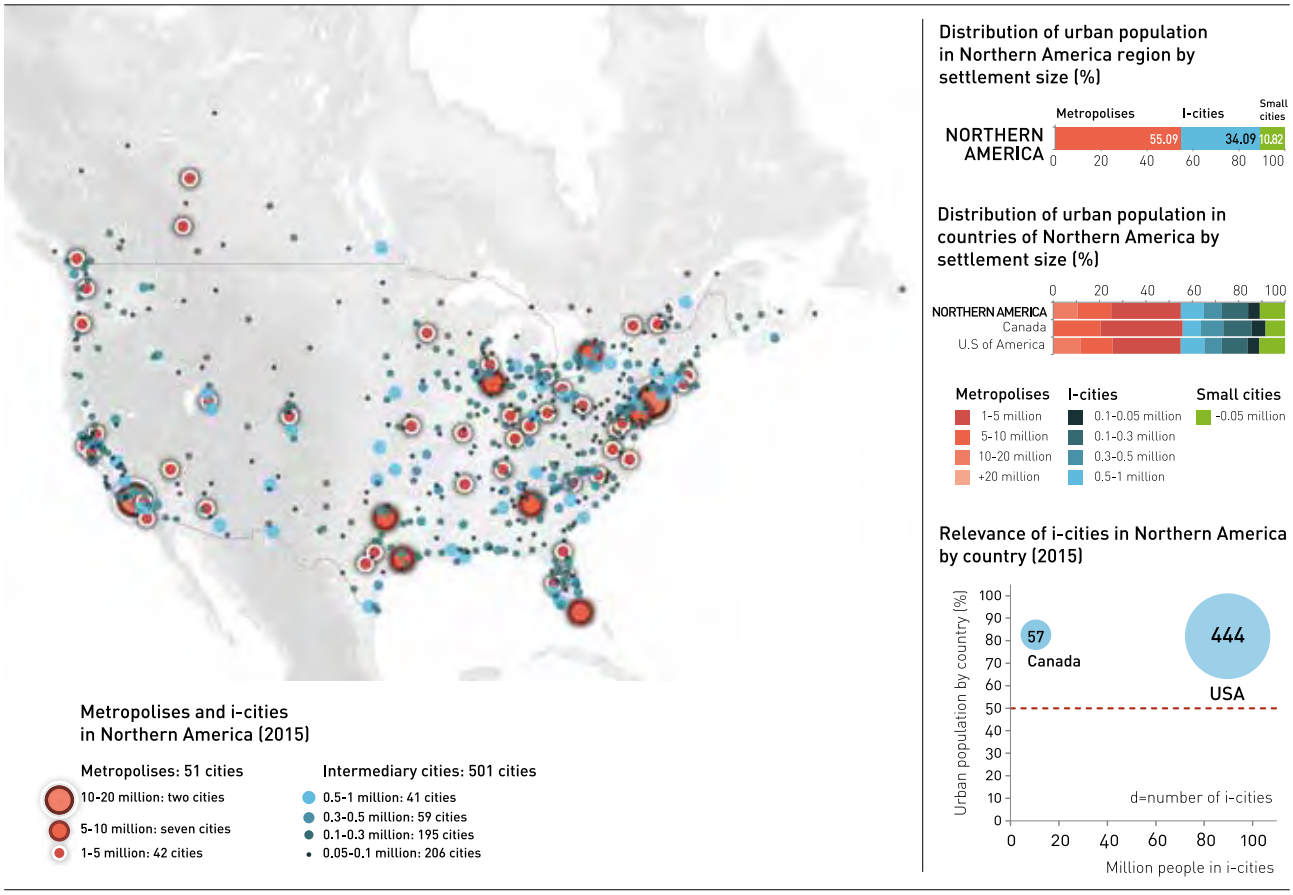
Strategic, comprehensive urban planning – taking into account cities and their surrounding areas and economies – is necessary to promote the kind of sustainable growth that upgrades, rather than degrades, urban and rural ecosystems. This needs to address serious concerns such as food and water security for the growing urban population amidst a growing rural-to-urban transition, in an integrated and balanced way. Sustainable and safe cities require a comprehensive assessment of natural risks and vulnerabilities, especially for i-cities in the less developed countries of the region.

In most MEWA countries, the reconstruction of destroyed or severely damaged cities, and the effort to cope with refugee flows, will require intensive rehabilitation and sufficient capital

3.7
URBAN SYSTEMS AND INTERMEDIARY CITIES IN NORTHERN AMERICA

Figure 3.9 **NORTHERN AMERICA distribution of population by settlement size and urban population weight in i-cities**

Source: UCLG and CIMES-UNESCO



3.7.1 Spatial integration and functional balance of Northern American i-cities

The Northern American region includes Canada and the United States of America. Only 34% of the region's urban population live in i-cities (or 'middle-order' cities, as they are defined in the United States), a smaller proportion than in many other regions. There are currently 501 i-cities, 444 of which (88.6%) are in the United States. Systems of cities in the United States and Canada are strongly dependent on states and provinces. These have shaped the legal and institutional framework for local governments, thus creating huge diversity in urban systems throughout the region.

Monocentric/polycentric regional spatial structure in Northern America

Three metropolitan areas – Toronto, Vancouver and Montreal – concentrate almost 30% of Canada's population. While the structures of the urban systems of Canada and the United States differ in metropolitan areas, they share similar patterns at the level of i-cities. Both countries host established, complex metropolitan corridors – e.g. the New York-Washington D.C. corridor, Florida's city system, and the coastal agglomerations of the San Francisco, Los Angeles, and Seattle-Vancouver areas. A large number of i-cities are located along these urban development corridors. A significant proportion of the

population, moreover, lives in interior i-cities: the Great Lakes system and the large basins along and around the Mississippi River and its tributaries host significant urban concentrations.

Northern America has one of the world's best-planned systems of cities. Most i-cities are connected by well-developed rail, road and airline networks. The pattern of i-city development revolves ostensibly around automotive transport and low-density expansion. The recurring blueprint of urban development implies a concentrated central business district, surrounded by dispersed peripheral industrial estates. Many of the more mature i-cities are still addressing the challenges created by structural adjustment programmes and policies of the 1990s and the 2008 global financial recession. Other i-cities – concentrated especially in the states of California, Texas and Virginia, and in the New England area – have shown resilience and an ability to diversify their economies, thanks primarily to substantial investment in information and knowledge technology, as well as advanced extractive industries. Technology investment in Toronto and Vancouver, for instance, has prompted the emergence of various spin-off businesses in smaller i-cities.

Coastal, inland and landlocked Northern American i-cities

The East and West Coasts of the United States host one of the world's largest concentrations of cities. On the East Coast, the regional metropolitan conurbation of Boston, New York, Philadelphia, Baltimore and Washington D.C., is home to about 40 million inhabitants, a figure relatively similar to that of the regional agglomeration of Tijuana, San Diego, Los Angeles, San Francisco and Sacramento on the West Coast. The Great Lakes area concentrates the country's third largest conurbation. From Washington D.C. down the East Coast to the metropolitan area of Miami, the Atlantic coast is scarcely urbanized, with significant distances separating many i-cities. The same pattern characterizes the West Coast north of San Francisco up to Seattle.

Most of the United States federate states are landlocked. Many concentrate their populations in their respective state capitals, which are connected in a dense conurbation by a road network that favours private motorized traffic. In the four least populous states – Montana, Wyoming, North Dakota and South Dakota – the state capitals and the main economic centres (e.g. i-cities such as Bismarck, Billings or Rapid City) perform the key functions of regional i-cities. Besides their role as administrative centres, these cities have also been the backbone of the country's most productive dairy and agro-alimentary industry. In Mid-Western states such as Kansas, Oklahoma, Arkansas and Tennessee the network of i-cities becomes relatively denser: Wichita and Tulsa, core i-cities in Kansas and Oklahoma, effectively articulate the economy of the rural environment of these two states.

In Canada, the consequences of distance and isolation due to the country's climatic and geographical characteristics of the country are far more apparent than in the United States, and have a significant impact in i-cities such as Saskatoon and Regina, in the scarcely-populated western province of Saskatchewan.

Functional balance of Northern American i-cities: clusters and corridors

A few metropolitan regions in Northern America are experiencing the development of i-city clusters. In the Washington D.C. area, the bordering states of Maryland and Virginia have included intermediary and small cities within a 100km radius from the Washington metropolitan area in their shared development strategic planning. The Carolina Research Triangle is a portion of North Carolina clustered around North Carolina State University, Duke University and the University of North Carolina at Chapel Hill. These are high-level R&D centres that have revitalized the joint economic and policy frameworks of i-cities like Raleigh, Durham and Chapel Hill. Meanwhile, the Research Triangle has developed into an advanced technology-intensive cluster that benefits from a direct link to Washington's economy and the federal government's procurement in the defence, information technology (IT) and bio-technology industries.[189] Many large companies and public agencies are taking advantage of lower operating costs to relocate their back-office functions, administration and deliveries and R&D activities to expanding i-cities that are grouping into city clusters at the border of metropolitan regions. A similar pattern of development has taken place in the areas around the Dallas-Fort Worth agglomeration in Texas, Chicago, Los Angeles and Toronto.

Northern America has one of the world's best-planned systems of cities. Most i-cities are connected by well-developed rail, road and airline networks

Over the last few decades, several complex i-city corridors have expanded throughout the Northern American region, especially along the routes drawn by the large interstate thoroughfares that cross the continent. Unlike i-city corridors in other regions of the world, a tradition of good planning and comprehensive administration has prevented extensive building along highways. I-city corridors are developing rather as a series of hubs and nodes of smaller cities that maintain, nonetheless, the urban features of i-cities. Salem (in the state of Oregon) has a population of 160,000 inhabitants and has been very successful in capitalizing on the development of specific international trade corridors under the North American Free Trade Agreement (NAFTA) to create jobs and establish new kinds of industry in the area.

The 'belts' discourse gave a reliable picture of the American economy for years, but the recent economic downturn, both nationally and globally, has radically changed the productive map of these areas – as well as of the country as a whole

3.7.2 Trends and national urban policy responses in Northern American i-cities

The Northern American system of i-cities is a tale of two sets of cities. One is a system of successful and dynamic cities; the other is a set of cities in a state of stress and decline. Historically, especially in the United States, systems of cities were described using a 'Sunbelt and Rustbelt' narrative. Sunbelt cities were thriving urban agglomerations with steep growth rates concentrated in the southern-most third of the country, stretching from one ocean coast to the other. Since the 1970s, i-cities along the Sunbelt have benefitted from more favourable taxation, high-income retirement-driven migration, warmer climate for the agro-alimentary industry and, more recently, from the boom of the technology and knowledge-driven economy, especially in the South-West. Conversely, the Rustbelt moniker identifies a region across the northern Mid-West and Atlantic coast of the United States that, though flourishing thanks to the metallurgic industry in the first half of the 20th century, has entered a period of steady socio-economic decline since the 1980s. The functional economy established in the area around labour-intensive steel and manufacturing industries did not manage to compete in the global market and never really recovered. With varying degrees of success, at least until the financial crisis of the late 2000s, certain i-cities had managed to reconvert and diversify their economic activities. The 'belts' discourse gave a reliable picture of the American economy for years, but the recent economic downturn, both nationally and globally, has radically changed the productive map of these areas – as well as of the country as a whole.

Specialized regional clustering has been a fundamental component of the new map of economic productivity and performance (see Box 3.7) that emerged in the aftermath of the crisis and the beginning of recovery throughout the United States. I-cities embedded in clusters now tend to fare much better as regards wealth and competitiveness, especially those that are strategically located in technologically advanced regions with a tradition of investment in innovation and ICT. Areas with logistics infrastructure or privileged access to inter-regional or international trade – e.g. border areas of California, Texas, Washington and the Great Lakes region – record the most improved economic performance and job creation rates.[190]

The approaches to urban policy development in Northern America are very similar to those of Australasia. Northern America has a strongly decentralized federal form of government, wherein urban policy is a state-level responsibility. The United States, however, was one of the first countries to establish a Housing and Urban Development (HUD) department at the federal level. The United States and Canadian governments have, at times, sought to address national housing policy issues, but they have never managed to broker consensus among the federated states on urban policy and development matters.[191] Similarly, states have generally focused on competitiveness for metropolitan regions and developing cities, but even in the most proactive contexts, most decision-making has stalled on vertical dialogue across the different levels of government.

At the same time, direct expenditures on the improvement of logistics and transport infrastructure for efficient supply chains among different city systems have been traditionally hard to implement. Northern American i-cities will be more and more dependent on increased efforts of local governments and businesses to reduce transaction costs and boost competitiveness and efficiency. The region has substantially underinvested in the critical infrastructure needed to support modern services and technology-based economies. Distance from markets and suppliers, the lengthy supply chains and the narrow skills base have limited opportunities for some i-cities in declining areas of Northern America to recover, innovate and re-develop. Northern American i-cities will need to become more

BOX 3.7 MILKEN'S 2013 BEST-PERFORMING CITIES INDEX IN THE UNITED STATES

Source: http://www.best-cities.org/best-performing-cities-2015-map.html

For the last few years, the United States and Canada – not dissimilar from Europe and Japan, among other developed economies – have struggled with jobs, investment, and economic growth in their i-cities. In certain areas, the i-city population has been declining. Whereas coastal and southern cities once in the Sunbelt economy were prosperous and growing, thanks to internal migration from Rustbelt cities, the traditional binomial relationship has crumbled under the pressure of common economic and social development problems. In the aftermath of the 2008 global economic crisis especially, local governments, businesses and civil society alike have worked to revamp the most affected urban areas. Moreover, the explosion of the tech-driven, knowledge-intensive economy throughout the country has contributed to a radical, paradigmatic shift in the distribution of opportunities, wellbeing, wealth and, ultimately, happiness across the United States. The Milken Institute publishes an annual classification (see figure below) of United States metropolitan and urban agglomerations with a normalized index of performance, taking into account a number of variables spanning economic productivity, innovation, generated wealth and inequalities (both economic and social).

The 2013 report draws an interesting map of economic performance in the United States, with some of the best-performing areas being clusters of i-cities outside the (traditionally more visible) largest metropolitan regions. The areas of Austin and San Antonio (Texas), Boulder (Colorado), Charleston (South Carolina) or Provo-Salt Lake City (Utah) have emerged as powerful, innovative, attractive competitors to the big drivers of this innovation and modernization process – such as the Bay Area (San Francisco, Oakland, San Jose) or the Los Angeles metro – particularly in the technology and energy sectors. Further initiatives to protect development and growth in i-cities – which traditionally enjoy fewer capabilities and risk-absorbing policy instruments – are certainly needed. But even though the report goes on to stress certain unsolved consequences of this specific type of tech-induced growth (growing wage inequalities by gender or ethnicity), it also emphasizes how this new wave of expansion and the centrality of smaller, more 'human-sized' i-cities have had positive effects in terms of social inclusion. These correlate positively with happiness and wellbeing indicators in similar studies.[192]

Milken Institute's 'best-performing cities' index, visualized on a map.

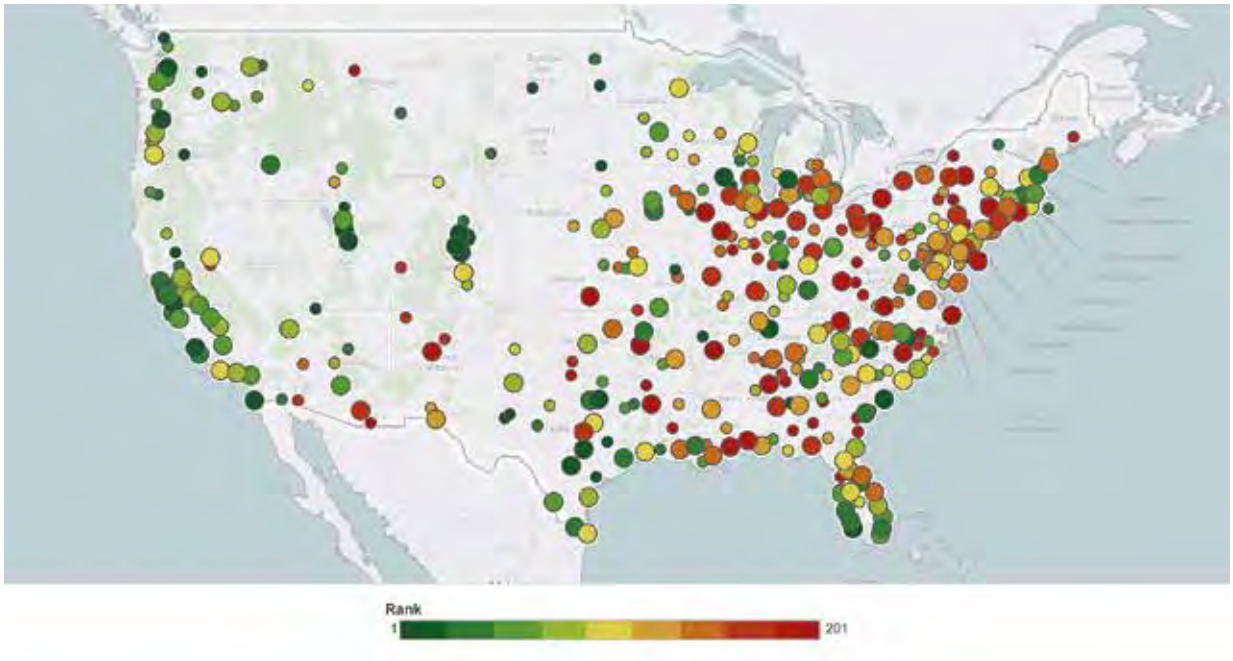


Photo: Steven Pisano - Long Island (United States).

efficient and sustainable, especially by strengthening transportation, communication and trading networks, among as much as between themselves and larger metropolitan regions.

Importantly, urban policies and their degree of integration and effectiveness have a serious and sizeable effect on the wellbeing and quality of life of citizens. The social and human implications of urban policies can be as relevant as the economic ones even if this is not especially true in the context of developed, technologically advanced economies such as Northern America's. As mentioned above, low density and dispersion have been traditional elements of urban expansion in Canada and the United States. In a context of economic growth and high-income development, the pattern of land-use and urban policy-making in Northern America is one that has fostered urban sprawl and gentrification - perhaps the two most important social phenomena of urban development.

Urban sprawl in the United States demonstrates several features peculiar to the region. There are long-standing data that prove that income inequality is much higher in low-density medium and small urban agglomerations.[193] Given also their rising gentrification rates, i-cities have become a breeding ground for a number of key socio-economic factors intimately connected with urban expansion, wealth distribution and social inequality. This rising gentrification is a by-product of rising income inequality in the booming cities of this century's so-called 'smart economy', which is pushing traditional residents out of refurbished, dense, central neighbourhoods due to higher land, tenure and service costs. Such phenomena affect the fabric of communities and jeopardize their integration, quality of life and, to a growing extent, environmental justice. Inclusion, public deliberation and social engagement should be crucial components of future urban policy - especially for booming Northern American i-cities.[194]

3.8
MAIN TRENDS IN NATIONAL AND REGIONAL URBAN SYSTEMS AND I-CITIES

This brief overview of urban systems and the place of intermediary cities in the national urban policies (NUPs) of the world's different regions aims to provide fresh insight into the dynamics and changes that have transformed national and regional systems of i-cities. It also seeks to provide a better understanding of the current role and trajectory of these cities within the global urban landscape.

The review stresses the heterogeneous development experienced by i-cities. The factors that make i-cities successful vary significantly across regions. As well as their scale, the review highlights the importance of factors such as countries' levels of development, location, functions, connectivity and interaction between cities. Analysis of polycentric versus monocentric systems, and the difference between coastal, inland and landlocked cities, also emphasizes variations in accessibility and availability of opportunities.[195]

All regions have undergone significant changes in the structure of their urban systems. As mentioned in the introduction to this section, hierarchical organization remains the structural basis of national urban systems, even though new dynamics have emerged to make them more diverse and complex. A new generation of successful cities are challenging the predominance of old hierarchical urban systems, developing new functional linkages and dynamic models. However, in many regions this process has led to distortions and growing inequality in spatial concentration: large agglomerations are driving urban development while i-cities are undergoing a different and dual process. Some are booming in regions closer to dynamic metropolitan areas, creating clusters and urban corridors and densifying the urban fabric; others are stagnating or even declining in areas more entrenched in an 'old' economy or in regions that are more 'decentred' from the core areas. At the same time, environmental threats are hitting more vulnerable i-cities, especially those located in coastal areas and insular regions, as shown in the Asia-Pacific region.

In both Latin America and Asia, i-cities are expanding within the most dynamic economic areas, often close to major urban agglomerations and within corridors linking these areas. The polarization between the main agglomerations and dispersed urban areas is also growing in transitional economies, e.g. Eastern Europe and the Caucasus. In developed economies such as in Northern America, there is a growing contrast between innovative i-cities, strongly-performing metropolitan areas and more traditional mature cities, e.g. Rustbelt centres that are steadily declining. In Europe, despite a more balanced urban system, differences between prosperous i-cities closer to core economic areas and decentred shrinking i-cities are increasing. Addressing these factors is particularly challenging, especially in developing regions such as Sub-Saharan Africa. Here, i-cities are considered the 'missing link' in urban systems; differences within systems of cities are the greatest, and capacities to promote a more balanced urban management are weak.

The emergence of i-city clusters, in particular around large urban agglomerations and new urban poles, is fuelling the imbalance in national systems of cities in almost all regions. Many of the problems associated with the development of metropolitan areas have spilled over into these city clusters. But local governments in these areas do not have access to the same resources and capacities as metropolises and are struggling to support the provision of critical services and infrastructures. The evolution of these i-cities will require specific policies that strengthen the collaboration between, and the complementarity of, metropolitan areas and surrounding rural areas currently experiencing the greatest urbanizing pressures.

I-city corridors close to major transportation axes between large cities are growing rapidly, especially those that are linked by international corridors, such as in Northern America and Europe, Africa, Asia and Latin America. However, without adequate planning and infrastructures, many of the corridors in developing regions (e.g. Western Africa) are facing increasing problems of congestion, pollution, accidents and obstacles to trade (e.g. border-crossing issues). National governments and regional institutions should consider enhancing support to emerging corridors and, when necessary, facilitating cross-border cooperation between i-cities to boost their development potential.

Many countries in the world have or are developing urban policies and reforms along with the restructuring of their economies and regional systems. In most cases, national sectoral urban policies are primarily designed to address the problems of larger urban areas and booming economic regions, and to strengthen their competitiveness. Beyond the few exceptions mentioned above, NUPs tend not to consider systematically the specific issues facing i-cities and smaller municipalities. I-cities have also been weakly addressed by regional declarations within the preparatory process towards Habitat III. Only Europe has a long-standing tradition of associating urban policies and territorial cohesion with specific programmes that try to

NUPs tend not to consider systematically the specific issues facing i-cities and smaller municipalities

build on the role of intermediary or small and mid-sized cities.

Reforms in urban, regional or national planning aimed at integrating economic development policies, and strategic infrastructure investments are needed in all regions to address these imbalances and open up new opportunities for i-cities. This will not be possible, however, without a new approach to urban and territorial governance. There is an urgent need to create more collaborative governance systems that include all levels of government and integrate sectoral and territorial policies. This calls for an effective multilevel governance approach that fosters holistic urban and territorial development strategies and policies. Greater involvement of i-cities in consultation and consensus processes to define national urban strategies is imperative.

The widening socio-economic differences between metropolitan regions, i-cities and rural regions contributes to increasing inequalities, elicits migration to larger cities, and accelerates the marginalization of peoples and territories – a situation that benefits none of these areas. Since i-cities have a direct impact on small settlements and rural areas, their evolution has wider consequences on regional economies and societies, thus affecting territorial cohesion and integration. I-cities are pivotal to maintaining an economic and social balance between rural and metropolitan areas, as well as promoting regional development.[196]

On the other hand, i-cities must learn to operate on a different scale, to capture and create opportunities linked to the new trends in the global economy. They face formidable challenges to nurture growth and development, especially if they are not adequately connected to or located in rapidly growing regions and urban systems. They should demand multi-level frameworks to push for national policies that support a more balanced approach to urban and territorial development. At the same time, they should themselves exploit the collaborative advantages that come from working together rather than competing with each other, e.g. building sub-regional systems of i-cities, strengthening their cooperation within clusters and corridors, while also collaborating closely with metropolitan areas. Collaboration will be one of the most crucial factors in creating opportunities for their communities and re-establishing themselves as a vital link in national and global systems of cities. If this is not done, the increasing level of distortion between urban systems and territories will threaten to undermine the achievement of the New Urban Agenda and the Sustainable Development Goals (SDGs).

Photo: UCLG - Mozambique.

4.

CONCLUSIONS: SHAPING THE AGENDA FOR INTERMEDIARY CITIES

The specific character and challenges of intermediary cities have, until recently, received limited attention in global literature and debates. Their pivotal role in the achievement of more balanced and sustainable urban development processes, and the reduction of territorial inequalities, makes it imperative that they become more prominent within the New Urban Agenda and its implementation.

In the framework of the preparatory process of Habitat III, a few references to i-cities have been introduced to the global discussion. Within UN-Habitat, the resolutions on Agenda 2030, for example, have attached i-cities to the ongoing 'rural-urban linkages' debate, stressing the need for 'the reduction of disparity along the rural-urban continuum', and for less 'reliance on primate cities, as a strategy to promote decentralized growth'.[197] A more developed and comprehensive document was produced during the Thematic Meeting, 'Intermediate Cities: Urban Growth and Renewal', organized by the Habitat III Secretariat in Cuenca, Ecuador, on 9 – 11 November 2015.[198] Only the African and Asian Regional and the Latin American Declarations for Habitat III include brief references to 'mid-sized' or 'intermediate' cities, while the New Urban Agenda, approved in Quito, mentions 'intermediate cities' only once.[199]

Building on the analysis of the previous sections, and taking into account some of the key messages presented in the Cuenca Declaration for Habitat III, this section will summarize key lessons to enhance the debate on the role and potential contribution of these cities to the New Urban Agenda and the achievement of the SDGs. Finally, the text presents messages and recommendations for possible actions.

4.1 MAIN TRENDS IN THE GLOBAL EVOLUTION OF I-CITIES

I-cities host 20% of the human population and are the connective tissue that links the 58% of the world's population that live in rural areas and small towns with the 22% that live in larger metropolitan areas. The efficiency and performance of i-cities are crucial to the cohesion of these territories and to national prosperity and wellbeing. Their involvement is essential to the achievement of most of the goals of Agenda 2030.

The traditional role, location and scope of i-cities is being functionally redefined in the context of evolving national and global systems of cities. I-cities throughout the world now face common challenges resulting from the increased asymmetry of performance, both between i-cities and metropolitan areas, and between i-cities themselves. The internationalization of finance and other trade sectors; growing exposure of national economies to worldwide competition; and radical changes in production systems and the organization of trade, have subjected i-cities

I-cities throughout the world now face common challenges resulting from the increased asymmetry of performance, both between i-cities and metropolitan areas, and between i-cities themselves

to unprecedented pressures. In developed economies, de-industrialization and knowledge-driven technological development are two of the most visible symptoms of this shift. Local cultures, identities and traditions have suffered similar pressures from more globalized and 'standardized' cultural products.

The traditional role of i-cities as regional centres and providers of administrative and social services, oriented around local economic activities, has been called into question. Governance reforms have delegated responsibilities to elected local authorities in many i-cities, often without committing commensurate resources and powers. Many have developed advanced clusters serving major cities, or evolved into urban corridors that sometimes even straddle national boundaries. But for other i-cities, particularly those located outside of or on the periphery of more dynamic regions, the reality is one of stagnation and decline.

When i-cities have adequate powers and capacities, experience shows that local leaders can mobilize their communities and take advantage of opportunities and foster innovation, leading to enhanced local development

Movement of capital magnifies these macroeconomic trends, as it accelerates the transition from low-productivity to high-productivity urban systems.[200] Spatial reorganization can lead to strongly dualistic wealth accumulation effects. While capital gains are concentrated in growing urban systems and economically dynamic regions, shrinking cities are being affected by a depreciation of their assets and declining investments. Tackling this urban dualism requires diversified policies and investment strategies for 'core' and 'non-core' cities, to correct imbalances within countries and regions. Changes of such magnitude have disrupted the economic and social equilibrium of many territories around the world.

Meanwhile in developing economies, i-cities have often absorbed large informal settlements and economic activities and are struggling to manage growth effectively in order to deliver essential services and opportunities. As highlighted in Section 3, these phenomena are particularly acute in Sub-Saharan Africa and Southern Asia, which will be the recipients of the most intense urbanizing flows and, at the same time, have the weakest local government capacity to manage them. Preventive planning and improved land management will be key instruments to bolster the capacity of local governments, facilitate the integration of new dwellers into i-cities, and 'use' i-cities as buffers for migration from rural to metropolitan areas.

In this regard, as mentioned throughout the report, i-cities can take advantage of proximity and human scale to grow more resilient to external shocks, strengthen their social and identity fabric, and mobilize local capacities and assets. This degree of cooperation, innovation and local self-reliance is not often found, even in larger metropolitan areas where homogeneity is much less strong. This chapter highlights the experience of i-cities that have been able to capitalize successfully on their size, role and unique position. The many cities mentioned have managed to strengthen their link with the hinterlands; develop shorter and more efficient economic flows; support local markets and production; improve inter-municipal cooperation in service and infrastructure provision; start the transition to more knowledge and technology-driven manufacturing and services; and become cultural centres with strong touristic attractiveness.

When i-cities have adequate powers and capacities, experience shows that local leaders can mobilize their communities and take advantage of opportunities and foster innovation, leading to enhanced local development. Effective decentralization policies, fiscal devolution, and capacity-building policies are crucial for urban management and local governments to be empowered to take greater responsibility for the development of sustainable i-cities. A strong enabling environment is essential to encourage and stimulate participation and grassroots engagement by local communities and partners in the private sector, together with NGOs, academia and civil society to develop sustainable i-cities. Even beyond formal legal frameworks and mechanisms, local leaders and authorities should promote the autonomous, free organization of their civil societies, providing them with adequate spaces and transparent conditions for their effective involvement in decision-making.

As discusssed in Section 3, inclusive, sustainable urban and territorial strategies are necessary to counterbalance increasing inequalities within countries, promote robust and well-balanced urban systems and enhance territorial cohesion. Several countries have developed national urban strategies. Many other central governments (or federated states in federal countries) are currently on course to establish urban strategies. Yet most countries around the world still do not have nor plan to have comprehensive urban policies at the national level. I-cities have often been

the 'Cinderella' of NUPs and strategies. This *status quo* is inadequate and ineffective in terms of promoting a more balanced approach to urban and territorial development. Multilevel governance mechanisms should guarantee the strong involvement of i-cities to enable ownership at all decisional levels, both in the definition and the implementation stages of consistent urban policies that endure across political cycles.

Widening inequality both between and within cities and territories could lead to serious social instability and environmental problems, to which the most disadvantaged cities will always be more vulnerable. The unrest that triggered the Arab Spring was sparked in a small Tunisian i-city. As the global debate around the SDGs has recently emphasized, inequality is one of the greatest emerging challenges of the 21st century. Urban and regional imbalances are a concrete expression of this trend. Several issues are spreading to i-cities, especially in developing countries. These include poverty, lack of affordable housing and opportunities, gender and minority discrimination, settlement and economic informality.

Environmental challenges also require mobilization of i-cities that, as the largest group of cities, could be decisive in the transition towards a more environmentally sustainable model and a lower carbon economy. Thanks to proximity and more efficient urban management, i-cities can generate urban structures and patterns of production and consumption that help reduce natural resources consumption and CO_2 emissions. This can help achieve the commitments made at the 21st Session of the Conference of the Parties (COP 21) in Paris, to 'hold the global average temperature to well below 2°C above pre-industrial levels and, if possible, limit the temperature rise of 1.5°C'.

Local authorities should take action and be given more opportunities and incentives to take the lead. The 'Right to the City' approach – as developed in the introduction and in the previous chapter on metropolitan areas – should be used by local authorities to guide local policies and transform i-cities into more inclusive, dynamic and liveable places.

It is hard to predict future scenarios and opportunities for i-cities. Changing models of production, consumption, and market and social organization give reason for optimism. The advent of the 'third' industrial revolution, based on new digital technologies and in which agglomeration factors and economies of scale have a much lower importance, could diminish the 'tyranny' of mass production and reward economies and societies built on proximity rather than distance, and on human needs rather than mass consumption. The expansion of the service sector, including direct services to the consumer, and the growing integration of different stages of the product cycle (especially production, use and maintenance), are creating new market opportunities for certain functions that could either be better performed locally or traditionally carried out in a household environment (e.g. care of the elderly, early childhood care). The pace and scale of change give rise to untold opportunities in our ever-transforming societies. I-cities can certainly reap the benefits of these changes – but they will have to be ready for them.

Photo: Andrea Ciambra - Girona (Spain).

4.2
KEY MESSAGES

This section presents key messages for national governments, local authorities, communities and international institutions, building on this chapter's analyses and on the Cuenca Declaration for Habitat III on 'Intermediate Cities':

RECOGNIZE THE CRUCIAL ROLE OF INTERMEDIARY CITIES AS A MAJOR GROUP OF URBAN SETTLEMENTS, for the achievement of Agenda 2030 and the New Urban Agenda. I-cities with visionary local leadership and adequate support are key levers of local development, local democracy, social cohesion and enhanced cooperation between and among territories, focusing on the four pillars of sustainable development (social, economic, environmental and cultural).

REDEFINE NATIONAL URBAN POLICIES TO SUPPORT INTERMEDIARY CITIES IN FOSTERING BALANCED AND INCLUSIVE URBAN AND TERRITORIAL DEVELOPMENT. As regional hubs and anchors of regional development, i-cities act to counterbalance the polarization of urban systems that is fuelling spatial inequalities and artificial rural-urban divides in many countries. Equitable and effective national urban policies should be developed to address multilevel governance mechanisms, based on regular dialogue and collaboration. National urban policies should be supported by transparent and reliable funding mechanisms, to avoid leaving any cities or territories being left behind. In this regard, national, regional and intermediate governments should guarantee the strong involvement of i-cities in the definition and implementation of their national urban policies.

UNLOCK INTERMEDIARY CITIES' POTENTIAL TO TAKE ON FULLY THEIR RESPONSIBILITY FOR URBAN MANAGEMENT AND DEVELOPMENT, THROUGH A FAIR DISTRIBUTION OF POWERS, FINANCES AND CAPACITIES. Adequate funding should be a priority, empowering local governments with new ways to 'square the circle' in order to manage sustainable development and fulfil their potential. This requires adequate human, financial and technological resources to make decisions that are closer to, and respond better to, the needs of local citizens and businesses. With clear mechanisms and legal frameworks, their human scale could be a lever for local participatory democracy with the effective involvement of local communities and public and private partners (business sector, civil society organizations, etc.) in local development strategies.

CAPITALIZE ON THE PROXIMITY AND HUMAN SCALE OF INTERMEDIARY CITIES BY STRENGTHENING URBAN PLANNING CAPACITIES AND LAND MANAGEMENT TO PREVENT URBAN SPRAWL AND REDUCE THE URBAN FOOTPRINT. This must be a priority in developing countries facing rapid urban growth in the coming decade, and a necessary action to avoid unplanned peri-urban growth and slum expansion, especially in risk-prone areas.

RAISE THE NATIONAL PROFILE OF INTERMEDIARY CITIES. I-cities should make themselves more visible by branding and promoting themselves as centres of innovation, intermediation, service provision, cultural heritage and prosperity, and should make clear to national governments that they are capable and ambitious.

FOSTER REGIONAL DEVELOPMENT BY ENCOURAGING CLOSER COOPERATION BETWEEN I-CITIES AND THEIR RURAL HINTERLANDS, AS WELL AS INTER-MUNICIPAL PARTNERSHIPS. This will create economies of scale for infrastructure and public services, strengthen the flow of goods and people within the region, and improve the management of natural resources.

Floating populations, unequal distribution of resources and responsibilities within territories, and administrative isolation are pressing issues that i-cities need to tackle, making themselves heard by national governments while bolstering territorial cooperation and collaboration. This also requires the creation of adequate legal frames and technical tools to pool urban and territorial planning strategies, capacities and resources.

DEVELOP AMBITIOUS LOCAL ECONOMIC POLICIES TO CREATE NEW OPPORTUNITIES AND OVERCOME NATIONAL AND GLOBAL ECONOMIC CHANGES. Innovative policies can boost i-cities' economies and regional dynamics through the mobilization of local capacities and assets, and the promotion of 'short circuits' to support local social and collaborative economies. I-cities and national governments should take advantage of emerging clusters, trans-border and regional economic corridors to anchor the role of i-cities in national and global economies. New technology, smart development and interconnectedness are all part of the future of i-cities and have huge potential to make them valuable actors on the global stage, and essential cogs in more innovative and productive national economies.

TACKLE GROWING INEQUALITIES BY DEVELOPING SOCIAL POLICIES THAT ENSURE AFFORDABLE ACCESS TO BASIC SERVICES, HEALTH AND EDUCATION. I-cities, despite their limited resources, must deal with greater pressures on housing and land tenure to ensure gender equality, respond to the demands of ageing populations, and create favourable prospects and opportunities for youth. Adequate social policies could help strengthen intermediary cities as buffers in the management of migration. This should also include enhanced resources and capabilities for those endemic issues and structural problems that tend to affect poorer communities and less developed economies and to which i-cities can be much more vulnerable, e.g. malnutrition, epidemics, HIV, poverty and discrimination.

REDUCE THE URBAN ENVIRONMENTAL FOOTPRINT TO FIGHT ENVIRONMENTAL DEGRADATION, CLIMATE CHANGE AND THE THREAT OF NATURAL DISASTERS. Constituting a major group of cities worldwide, but also with the comparative advantage of human scale and valuable proximity to their hinterland, i-cities should contribute to the transition from a fossil fuel to a green economy model. Many i-cities, however, still have scarce resources and limited capabilities to face increasingly frequent natural disasters and the effects of climate change. They should, therefore, cooperate to pool their resources and knowledge to make adaptation and mitigation strategies more accessible and applicable, and advocate for resilience strategies at the national and global level.

ENSURE ACCESS TO AND PARTICIPATION IN CULTURE AND CULTURAL LIFE FOR ALL. Culture is a vital element of citizenship, social integration, co-existence and attractiveness. I-cities should build on their local identities as well as their cultural and heritage potential to promote a sense of place and identity, belonging and creativity. Central governments should integrate the cultural dimension of their cities into their sustainable development plans.

ADOPT THE 'RIGHT TO THE CITY' approach to ensure respect for human rights at the local level, stressing the necessary links with social inclusion, gender equality, enhanced political participation, quality public spaces, inclusive economy, environmental sustainability and the protection of common goods, for current and future generations.

NOTES

1 Urban systems and systems of cities are very difficult to define. They are composed of trading and information networks that have developed among urban settlements over time. Urban systems tend to be open, enabling exchanges with the environment as well as being open to change, including the introduction of technical or social innovations. The internationalization of the global economy has created a network of cities that are inextricably woven together and thus interdependent. They also overlap as part of interlocking networks (see, for instance, Bretagnolle, Daudé, and Pumain, *From Theory to Modelling*).
2 Giffinger et al., *European Smart Cities*, 16.
3 Rondinelli, *Secondary Cities in Developing Countries*.
4 Wood, *Intermediate Cities on a Resource Frontier*.
5 Bellet and Llop, *Ciudades intermedias*; Bolay and Rabinovich, *Intermediate Cities in Latin America Risk and Opportunities of Coherent Urban Development*; Gault, *Villes intermédiaires pour l'Europe?*
6 Angel et al., *Atlas of Urban Expansion*.
7 Parkinson et al., *Second Tier Cities in Europe: In an Age of Austerity Why Invest beyond the Capitals?*
8 Roberts, *Managing Systems of Secondary Cities*.
9 UCLG, *UCLG Frame Document for Intermediary Cities*. Other sources consider as 'intermediary' those cities with a population of between 100,000 and 1 million inhabitants (UN-Habitat, *An Urbanizing World*). The European Union defines intermediary cities as urban centres of between 20,000 and 500,000 inhabitants, while the World Bank (*World Development Report: Reshaping Economic Geography*, 2009) raises the threshold up to 1 million inhabitants. In South-eastern Asia, particularly in China, cities of between 100,000 and 3 million inhabitants are generally considered middle-sized cities. In Pakistan, on the other hand, the definition applies to cities of between 25,000 and 100,000 people. In the United States, cities are categorized as large, medium and small. 'Large' cities include those with a current non-farm employment base of at least 450,000 jobs. 'Mid-size' areas range from 150,000 to 450,000 jobs. 'Small' areas can have as many as 150,000 jobs. In Argentina, cities of between 50,000 and 1 million inhabitants are also considered intermediary cities.
10 Habitat III - Thematic Meeting, Cuenca Declaration for Habitat III on *Intermediate Cities: Urban Growth and Renewal*: '...the concept of 'intermediate cities' stems from their role as intermediaries within a territorial system, interacting with bigger cities, towns and other human settlements and more effectively articulating rural-urban linkages, mindful of the differences of population size considered to define intermediate cities, which may vary in different regions, ranging from 20,000/50,000 inhabitants to 500,000 and up to 1 million in specific countries and regional contexts'. The full text of the Declaration is available online at this address: http://habitat3.cuenca.gob.ec/archivos/declaration/HIII-Declaration CuencaEN.pdf).
11 More information is available in the report's introduction.
12 A more detailed analysis is available in Section 2.1.
13 Based on the classic approach of Michel Porter (in *The Competitive Advantage of Nations*, 1998), industrial clusters and districts are defined as forms of territorial 'aggregation between companies operating in the same sector or branch and characterized by specific technical and social relationships among private and public actors. The cluster has a positive influence on: innovation and competitiveness, skill formation and information and growth and long-term business dynamics'.
14 Roberts, *Managing Systems of Secondary Cities*; Roberts and Hohmann, *Secondary Cities: Managing Urban Land Governance Systems*.
15 Rifkin, *The Third Industrial Revolution*.
16 Schwab, *The Fourth Industrial Revolution*.
17 UCLG, *UCLG Frame Document for Intermediary Cities*.
18 See Mercer's Quality of Living Ranking (top 100), Monoce Quality of Life, Numbeo Top 100, Eius Liveability Ranking, Innovation Cities Index (2014), EIU City Hot Spots, UN-Habitat City Prosperity Index, Econominst Intelligence Unit Liveability Index, A.T. Kearney Global Cities Index, Global Financial Centers Index.
19 European Commission, *Quality of Life in Cities*.
20 Top 100, Innovation Cities Index 2015, http://www.innovation-cities.com/innovation-cities-index-2015-global/9609.
21 Johnston and Bate, *The Power of Strategy Innovation*, 136.
22 *The Human Scale - Official Trailer*.
23 Institut d'Aménagement et d'Urbanisme de la Région d'Ile-de-France, *La Stratégie d'aménagement et de développement économique de la Randstad-Hollande*.
24 See McGranahan and Satterthwaite, *Urbanisation*.
25 Tacoli, McGranahan, and Satterthwaite, *Urbanisation, Rural-Urban Migration and Urban Poverty*, 8.
26 Battistella and Conaco, *The Impact of Labour Migration on the Children Left Behind*; Biao, *How Far Are the Left-behind Left Behind?*
27 Li and An, *Migration and Small Towns in China*.
28 UN-Habitat, *The State of European Cities in Transition 2013: Taking stock after 20 years of reform*, 62.
29 Angel, *Planet of Cities*.
30 ESPON, *Territories Finding a New Momentum*.
31 Roberts, *Gestionando Sistemas de Ciudades Secundarias*.
32 Ashton-Wyatt, *Cities beyond Perth. Best Bets for Growth in a New Economic Environment*.
33 Haughton and Hunter, *Sustainable Cities*, 70; Meligrana, *Redrawing Local Government Boundaries*.
34 New Geography, *Best Cities 2015*.
35 ESPON, 'Second-Tier Cities and Territorial Development in Europe: Performance, Policies and Prospects'.
36 Bolay and Rabinovich, *Intermediate Cities in Latin America Risk and Opportunities of Coherent Urban Development*.
37 John, *Secondary Cities in South Africa: The Start of a Conversation*.
38 UN-Habitat and CAF, *Construction of More Equitable Cities*.
39 Council of Europe, *European Charter of Local Self-Government*.
40 UCLG, *Decentralization and Local Democracy in the World*; UCLG, *Local Government Finance*. CEMR, *Decentralisation at a crossroads: territorial reforms in Europe in times of crisis*.
41 Bachtler and McMaster, *EU Cohesion Policy and the Role of the Regions*.
42 In the Middle East and West Asia region, devolution to local government is only part of the constitutions of Lebanon, Syria, Iran and Turkey. See: UCLG, *Decentralization and Local Democracy in the World*, 207.
43 Cities Alliance and UCLG Africa, *Assessing the Institutional Environment of Local Governments in Africa*.
44 The opposition of a number of Pennsylvania's i-cities and small cities to fracking explorations and drilling on their territories – in spite of significant consensus and economic interest at higher levels of government – was one of the most visible recent cases in this regard.

[45] Abers, *Learning Democratic Practice: Distributing Government Resources Through Popular Participation in Porto Alegre, Brazil*; Gret and Sintomer, *Porto Alegre*; Schneider and Baquero, *Get What You Want, Give What You Can*; UCLG, *Basic Services for All in an Urbanizing World*.
[46] Certain intermediary cities in Africa, for instance, spent less than USD 1 per capita overall per year (for more details, see AfDB, OECD, and UNDP, *African Economic Outlook 2015*, 171).
[47] Joshi, Prichard and Heady, *Taxing the Informal Economy*.
[48] In Dakar, Senegal for example, the vast majority of informal settlement dwellers are still without a land title despite a national tenure regularization programme that was launched in 1987. Similar delays in the titling process have been observed in Accra (Ghana), Tanzania and Indonesia (see Payne, Durand-Lasserve, and Rakodi, *The Limits of Land Titling and Home Ownership*).
[49] While in countries such as Germany or Sweden many 'free' local services are financed by local taxes, Anglo-Saxon countries such as the United Kingdom or Canada tend to rely more heavily on the 'user-pays' principle. Furthermore, many i-cities have outsourced certain services, such as water, electricity or public transportation to external service providers, which become the beneficiaries of the fees and charges paid by service users and consumers of the services.
[50] Kaganova, *Guidebook on Capital Investment Planning for Local Governments*; Lall, *Planning, Connecting, and Financing Cities-Now*.
[51] De Mello, *Fiscal Responsibility Legislation and Fiscal Adjustment: The Case of Brazilian Local Governments*.
[52] Smoke, *Metropolitan Cities in the National Fiscal and Institutional Structure*.
[53] Ibid.
[54] UCLG, *Basic Services for All in an Urbanizing World*.
[55] Murray Jamer, Deputy CAO, City of Fredericton, Canada (2015).
[56] UN-Habitat, Urbanization and Development, Emerging Futures, calculated from Statistical Annex, Table E2. For more information on access to basic services, see Chapter 1 and UCLG ed., *Basic Services for All in an Urbanizing World*.
[57] Arnett, *London Gets 24 Times as Much Spent on Infrastructure per Resident than North-East England*; Mahadevia, *Inter-City and Intra-City Inequity in Infrastructure Development in Urban China*; Henckel and McKibbin, *The Economics of Infrastructure in a Globalized World*.
[58] Okeke, *Towards a New Growth Path in Africa: A Study of National Urban Policy Responses to Urbanization*.
[59] AfDB, OECD, and UNDP, *African Economic Outlook 2015*; UCLG, *Basic Services for All in an Urbanizing World*.
[60] Habitat III Regional Meeting, *Africa's Priorities for the New Urban Agenda*, Abuja, 24-26 February 2016, https://www.habitat3.org/bitcache/fa44aa3e9fa42963d526e8f88585c5c03849bef2?vid=574438&disposition=inline&op=view.
[61] For a review of different approaches and experiences from the local government perspective, see also UCLG, *Basic Services for All in an Urbanizing World*. See also, Jomo et al., 'Public-Private Partnerships and the 2030 Agenda for Sustainable Development: Fit for Purpose?'.
[62] UCLG, *Basic Services for All in an Urbanizing World*, 211.
[63] Among them, Paris and Aix-Marseille enjoy a special status. The framework's criteria, for instance, define metropolis as any urban area of at least 400,000 inhabitants, located in a larger agglomeration of at least 650,000 inhabitants. Many French cities, therefore, have been granted the status of metropolis – Lille, Bordeaux, Nice, Nantes, Rennes, Grenoble, Brest, Strasbourg, Rouen, Montpellier and Toulouse – even though almost none of their metropolitan areas even reaches 1 million inhabitants. France's and the EPCI's definition of metropolis challenges the conventional focus on the statistical datum, and rewards the ability of certain local governments – a number of i-cities among them –to create opportunities for their citizenship. The delegation of one key traditional competence of *Intercommunalités* - water and sanitation - from municipalities to such entities will become mandatory from 1 January 2020.
[64] UCLG, *Basic Services for All in an Urbanizing World*.
[65] UN-Habitat, *Planning Sustainable Cities*.
[66] Whereas in 2009 Europe had over 160 schools offering certified studies in urban and regional planning – compared to the United States' 88 and China's 97 – the whole of the African continent offered only 69 such centres, 39 of them in Nigeria. Ghana and the Philippines rely on just one planning school each (see Ibid).
[67] UN-Habitat approaches the category of spatial management plans through such concepts as a master plan, comprehensive plan, comprehensive city plan, general plan, layout plan or local plan, destination plan or building plan, strategic spatial plan, directive or development plan, land-use zoning, regulatory planning (see Ibid., 11).
[68] Ibid., 57.
[69] UN-Habitat, *Planning Sustainable Cities*. More information about the city development strategy from local governments' perspective is available in UCLG, *Policy Paper on Urban Strategic Planning: Local Leaders Preparing for the Future of Our Cities*.
[70] The Centro Iberoamericano de Desarrollo Estratégico Urbano (CIDEU) is a network of 121 Latin American cities and a number of different institutional members, established to promote the growth and socio-economic development of its members. More information is available on the network's website: http://www.cideu.org/index.php.
[71] UCLG, *Policy Paper on Urban Strategic Planning: Local Leaders Preparing for the Future of Our Cities*.
[72] More information is available online at: http://www.iadb.org/es/temas/ciudades-emergentes-y-sostenibles/ciudades-usando-el-enfoque-de-desarrollo-urbano-sostenible,6693.html#ciudades1.
[73] UCLG, *Technical Exchange between Peers Decentralized Cooperation Brazil and Mozambique*.
[74] UN-Habitat, *Planning Sustainable Cities*.
[75] Source: Josep Maria Llop, UNESCO-CIMES. http://www.ceut.udl.cat/en/ciutats-mitjanes-i-intermedies/el-programa-uia-cimes/.
[76] A city's compactness measures the physical relationship between the habitable volume built over time by the populace and the area of land used to make it possible. Compactness is an urban parameter that links together key indicators of sustainability such as 'density', 'urban footprint', as well as the scale of 'proximity' and 'cohesion'. An intermediary city of about 140,000 inhabitants usually contains approximately 70% of its population within a 2.5km radius, a range that generally favours pedestrian mobility and fosters citizen ownership of public spaces. In a city with a population of between 140,000 and 390,000 inhabitants this circle expands to a 3.7km radius. The same radius can grow up to 8km in a city of 700,000 inhabitants and up to 10km as it nears 1 million inhabitants, when it takes on the features of a metropolitan agglomeration (see Bellet and Llop, *Ciudades intermedias*). This range also defines a territory's symbolic and functional core, making the services and the labour market offered by the city, as well as its unique cultural endowment, more or less accessible for its citizens and its hinterland (see also OECD, *Compact City Policies*, 83; Llop and Usón i Guardiola, *Ciudades intermedias*, 16).
[77] Banco Interamericano de Desarrollo, Cuenca. *Ciudad Sostenible,* 16.
[78] See also Nicolò and Bendech, *Street Food Vending in West African Cities: Potential and Challenges*.
[79] UCLG, *Planning and Management of Sustainable Urban Development of Intermediary Cities*, 7.
[80] Kewalramani, *India's Urban System and the Intermediate City*.
[81] UNECE et al., *Towards a City-Focused, People-Centred and Integrated Approach to the New Urban Agenda*, 9.
[82] For an approach to social housing in China see International Bank for Reconstruction and Development, World Bank, and Development Research Centre of the State Council, *Urban China*, 22.

[83] Ibid., 10; López Moreno and González Blanco, Ghost Cities and Empty Houses: Wasted Prosperity. A report estimates that there are 64.5 million empty apartments in China (equivalent to 20% of all existing dwellings), with a shortage of affordable housing stock for many households. As a result, migrants have been forced to live in sub-standard housing or rent in shantytowns in which they are likely to remain trapped.

[84] More information on TECHO's initiative to map Chilean informal settlements is available online at http://chile.techo.org/cis/monitor/.

[85] Source: Regina Gregory, *Germany - Freiburg - Green City, The Eco Tipping Points Project*, more information at: http://www.ecotippingpoints.org/our-stories/indepth/germany-freiburg-sustainability-transportation-energy-green-economy.html.

[86] See UNISDR, *Christchurch Re-Born after Five Years*: 'Over the last five years, 1,200 major buildings have been demolished and 68,000 homes have been repaired. It should be noted that the pace of the work was helped by the fact that 98% of people were insured. The Stronger Christchurch Infrastructure Rebuild Team (SCIRT) has completed 86% of horizontal infrastructure repairs including roads, storm water drains, drinking water and sewerage pipes'. Available online at this address: http://www.unisdr.org/archive/48110. The main reason Christchurch was able to respond so quickly was because of the establishment of the Earthquake Commission (EQC) in 1945 which had more than NZD 5.3 billion in funds invested to be used to fund the recovery of this type of disaster. The New Zealand government was able to immediately release NZD 10,000 to each household within days to support the recovery effort and the long-term reconstruction programme.

[87] Vu Kim Chi et al., *Coastal Urban Climate Resilience Planning in Quy Nhon, Vietnam*.

[88] Pauleit et al., *Urban Vulnerability and Climate Change in Africa*.

[89] D'Amico et al., *Evolution of the Cluster Approach to the EMAS Regulation in Italy*. The EMAS II Regulation (Eco-Management and Audit Scheme, EC Regn.761/2001) highlights the role of local authorities and intermediaries (Art. 11), which is further developed in the newer 2009 regulation (EMAS III) supporting SMEs. The regulation requires an initial environmental review of the entire region as a first step to register and to take a strategic coordinating role together with other actors in the cluster. This allows small businesses to achieve goals that they could not achieve individually, in particular through the provision of resources that are common to the whole cluster.

[90] See Choe and Laquian, *City Cluster Development*; Choe and Roberts, *Competitive Cities in the 21st Century*. The authors examine a number of examples (e.g. the knitwear industry cluster in Tiruppur, India, or the multi-industry clusters in Chiang Mai, Thailand, or the education cluster in Sleman, Indonesia).

[91] See Chapter 1, Section 4.1.1. 'The circular economy involves the distinct and careful management of two different types of materials within a closed-loop economy: materials of biological origin which can return to the biosphere as feedstock (biological nutrients, e.g. forest products) and technical materials which cannot biodegrade and enter the biosphere (technological nutrients, e.g. plastics and metals)', in Rizos et al., *The Circular Economy Barriers and Opportunities for SMEs*, 1.

[92] Roberts, *The Application of Industrial Ecology Principles and Planning Guidelines for the Development of Eco-Industrial Parks*.

[93] Jacobsen, *Industrial Symbiosis in Kalundborg, Denmark*.

[94] See also Journal Resolix, *Systèmes alimentaires territorialisés au Québec*, Février 2016; Carcenac, P., *Comment la ville d'Albi veut conquérir son autosuffisance alimentaire*, LeFigaro online edition, 14 April 2016, available online at this address: http://www.lefigaro.fr/actualite-france/2016/04/14/01016-20160414ARTFIG00180-comment-la-ville-d-albi-veut-conquerir-son-autosuffisance-alimentaire.php. See finally, 'Shop Local' movements in many countries, and Warhurst, P., *Incredible Edible*, available online at this address: http://www.incredible-edible-todmorden.co.uk/home. Many American cities are also engaged in Shop Local movements, but with different political aims.

[95] UCLG, *Urban-Rural Policies for the Promotion of Decent Work in Intermediary Cities*.

[96] See Pasto's *Plan for Territorial Planning 2015-2027: a Territory with a Logic* (also Ibid., 24).

[97] Juliá Igual and Meliá Martí, *Social Economy and the Cooperative Movement in Europe: Contributions to a New Vision of Agriculture and Rural Development in the Europe of The 27*.

[98] UCLG, *UCLG Frame Document for Intermediary Cities*.

[99] Tacoli, McGranahan, and Satterthwaite, *Urbanisation, Rural-Urban Migration and Urban Poverty*.

[100] OECD, *Rural-Urban Partnerships*.

[101] Ibid.

[102] See World Tourism Organization (UNWTO), *Global Report on City Tourism - Cities 2012 Project*. Moreover, according to Tourism Towards 2030, UNWTO's recently updated long-term outlook and assessment of future tourism trends, the number of international tourist arrivals worldwide is expected to increase on average by 3.3% each year between 2010 and 2030. This represents some 43 million more international tourist arrivals every year, reaching a total of 1.8 billion arrivals by 2030.

[103] Okech, *Socio-cultural Impacts of Tourism on World Heritage Sites*.

[104] See the International Association of Science Parks and Areas of Innovation's (IASP) statistics (2016) at this address: http://www.iasp.ws/statistics.

[105] UCLG Committee of Digital and Knowledge-Based Cities and Municipality of Bilbao, *Smart Cities Study*.

[106] UCLG Committee of Digital and Knowledge-Based Cities and Municipality of Bilbao. More information on the Committee's activities is available online at: http://www.uclg-digitalcities.org/.

[107] A list of Indian cities that stand out in terms of their progress in technological development and knowledge-based implementation is available at this address: http://smartcities.gov.in/winningCityp1.htm.

[108] Nyangoro and Lubaale, *Informal Economy Monitoring Study*.

[109] *UN-Habitat, Gender mainstreaming in local authorities. Best practices, p.27*.

[110] UCLG, *Basic Services for All in an Urbanizing World*, 211–12.

[111] See International Cooperative Alliance, available online at this address: http://ica.coop/es/media/news/contra-el-viento-y-las-mareas-las-cooperativas-de-mujeres-de-palestina.

[112] See, in this regard, data available at UNESCO: http://www.unesco.org/most/easteur2.htm.

[113] Venables, *New Economic Geography*; World Bank, *World Development Report: Reshaping Economic Geography*.

[114] Christaller, *How I Discovered the Theory of Central Places: A Report about the Origin of Central Places*.

[115] A monocentric system of cities is one where more than one third of the nation's urban population live in the primate city. Bicentric are where more than one third of the nation's urban population live in the two largest cities, and polycentric is if more than one-third of the nation's urban population live in the two or three largest cities.

[116] AfDB, UNDP, and OECD, *African Economic Outlook 2016*, 156.

[117] Benner, *Cluster Policy as a Development Strategy. Case Studies from the Middle East and North Africa*.

[118] More information available online at: http://africanbusinessmagazine.com/region/west-africa/roll-first-made-nigeria-cars/.

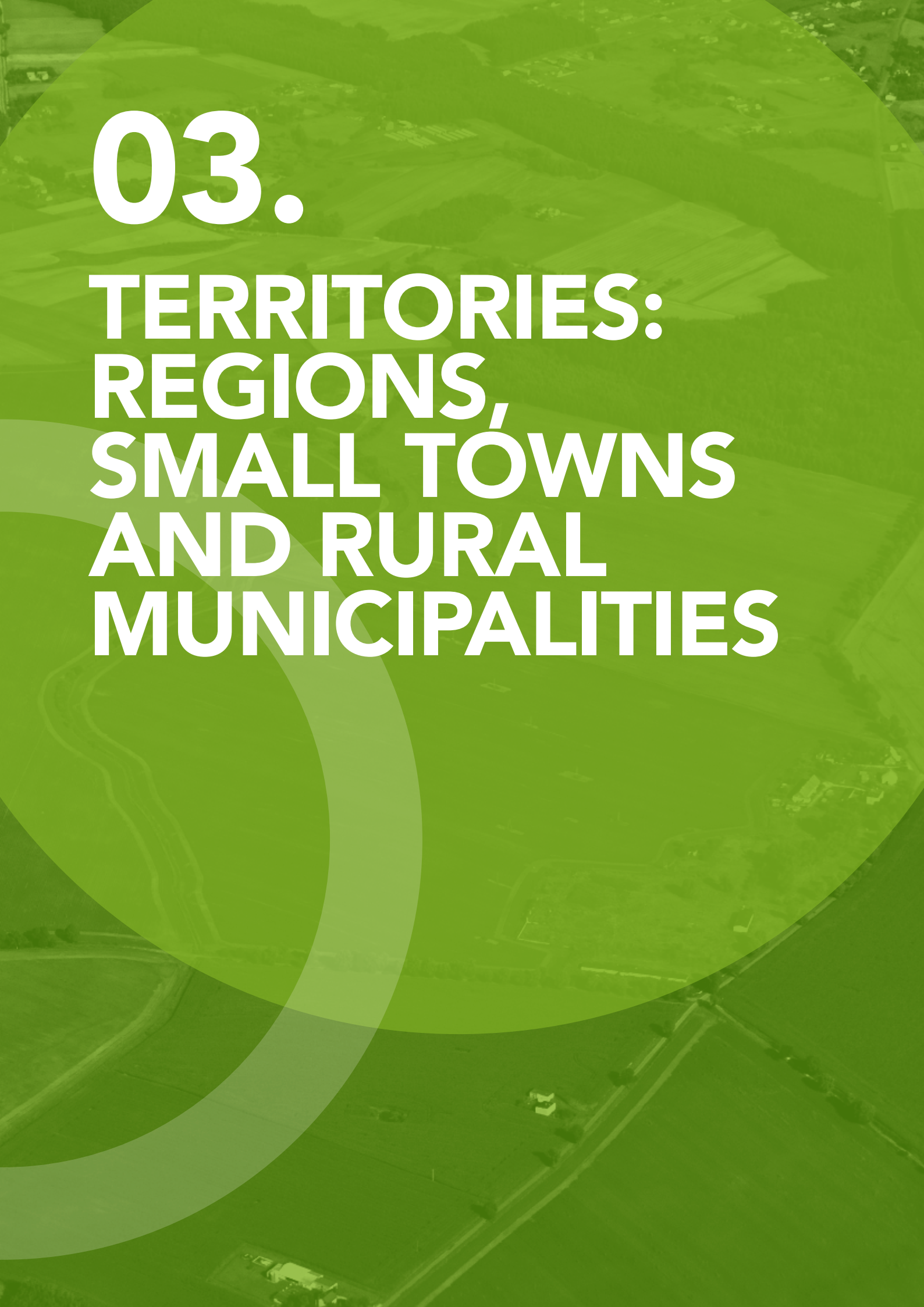
[119] SWECO and NCG, *Review of the Implementation of the Trans African Highways and Missing Links*.

[120] Source: http://www.uemoa.int/.

[121] Almost 70% of the 10 million urban dwellers that arrive in a Sub-Saharan city every year will only have access to informal settlements, and just 20% will have an opportunity to upgrade their living (see UN-Habitat, *Issue Paper on Informal Settlements*, 4).

[122] Turok and Parnell, *Reshaping Cities, Rebuilding Nations*; Okeke, *Towards a New Growth Path in Africa: A Study of National Urban Policy Responses to Urbanization*; Geyer, *International Handbook of Urban Policy. Issues in the Developing World*.
[123] See also AfDB, OECD, and UNDP, *African Economic Outlook 2015*, 171, and AfDB, UNDP, and OECD, *African Economic Outlook 2016*, 148.
[124] The document is available online at this address: http://www.au.int/en/treaties/african-charter-values-and-principles-decentralisation-local-governance-and-local.
[125] African Union Commission, *Agenda 2063. The Africa We Want*, 10.
[126] Ibid., 2.
[127] South African Network of Cities (SACN), *Outside the core*.
[128] Federal Ministry of Works and Housing, *National Urban Development Policy for Nigeria*.
[129] UCLG, *Public Space as a Generator of Growth in African Cities*.
[130] A recent study (Brar et al., *India's Economic Geography in 2025*), stresses that India's semi-urban and urban districts are expected to overtake rural districts by 2025. Based on a 'granular' analysis, the document shows that in 2012, India included 153 rural districts, 219 'in-transition' districts, 84 semi-urban districts and 33 urban districts. Forecasts to 2025 show, on the other hand, 96 rural districts, 220 in–transition districts, 115 semi-urban districts and 58 urban districts. 'Urban districts' are defined as districts with a level of urbanization of 60% or higher, while semi-urban ones are those where between 35% and 60% of the population live in urban areas. According to the report, there is an 'inflection point' once the districts' urbanization levels reach 35% or more, when the average GDP per capita increases significantly due to a sharp fall in the agricultural share of GDP.
[131] Ibid., 39.
[132] Choe and Laquian, *City Cluster Development*.
[133] Brar et al., *India's Economic Geography in 2025*, 443–45.
[134] More information available at this address: http://www.dmicdc.com/.
[135] OECD, *OECD Urban Policy Reviews*.
[136] Ministry of Urban Employment and Poverty Alleviation and Ministry of Urban Development, *Jawaharlal Nehru National Urban Renewal Mission*; UN-Habitat and Cities Alliance, *The Evolution of National Urban Policies*, 47.
[137] More detail on the Smart City features: http://smartcities.gov.in/writereaddata/Smart%20City%20Features.pdf.
[138] The *National Socio-Economic Plan* and the 2008 *National Spatial Plan* put forward an agenda for the next 20 years. The national urban policy framework is further defined in the *National Policies and Strategies for Urban Development towards Sustainable and Competitive Cities for 2045* (KSNPP) document, released in 2015.
[139] The *National Urban Development and Housing Framework* (NUDHF) for 2009-2016 is the comprehensive plan, and is accompanied by different national development plans. The NUDHF 2009-2016 includes five main goals: 1) urban competitiveness; 2) poverty reduction; 3) affordable housing; 4) sustainable communities through market-based incentives; and 5) stronger local finances (see Ali and Dodson, *National Urban Policy. Asia and Pacific Region)*.
[140] Ibid.
[141] OECD, *OECD Urban Policy Reviews Korea*.
[142] Urban planning and management have become an important part of Vietnam's economic platform (*Socio-Economic Development Strategy 2011-2020*). The *National Urban Upgrading Strategy and Overall Investments Plan* (NUUP, approved in 2009) and the *National Urban Development Policy* (NUDP) for the period 2012-2020 have been the guiding policy blueprints for national urban development (see Ali and Dodson, *National Urban Policy. Asia and Pacific Region*, 81–83).
[143] Malaysia released its NUP in 2006, as part of the 8th Malaysian Plan 'to create a visionary city with a peaceful community and living environment through sustainable urban development', complemented by the national development plan, the *National Physical Plan*, as well as by the *National Land-Use Policy* (see 'Ibid', 123–26).
[144] Ibid., 104.
[145] Ibid., 24–26.
[146] Hildebrand, Kanaley, and Roberts, *Sustainable and Inclusive Urbanization in Asia Pacific*.
[147] Roberts, Lindfield, and Steinberg, *Shaping the Future through an Asia-Pacific Partnership for Urbanization and Sustainable City Development*.
[148] These territories include Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan (Central Asia), Armenia, Azerbaijan and Georgia (Caucasus), and Belarus, the Russian Federation and Ukraine (Eastern Europe).
[149] The Soviet Union also included Estonia, Latvia, Lithuania and Moldovia.
[150] CER, UN-ESCAP, and UNDP, *Urbanization in Central Asia: Challenges, Issues and Prospects*, 26.
[151] UNECE et al., *Towards a City-Focused, People-Centred and Integrated Approach to the New Urban Agenda*, 24.
[152] CER, UN-ESCAP, and UNDP, *Urbanization in Central Asia: Challenges, Issues and Prospects*.
[153] This section is based on the following reports, UNECE et al., *Towards a City-Focused, People-Centred and Integrated Approach to the New Urban Agenda*; CER, UN-ESCAP, and UNDP, *Urbanization in Central Asia: Challenges, Issues and Prospects*.
[154] UNECE et al., *Towards a City-Focused, People-Centred and Integrated Approach to the New Urban Agenda*.
[155] Ibid., 11–12.
[156] Ibid., 12–13.
[157] CER, UN-ESCAP, and UNDP, *Urbanization in Central Asia: Challenges, Issues and Prospects*.
[158] UNECE et al., *Towards a City-Focused, People-Centred and Integrated Approach to the New Urban Agenda*, 12–13.
[159] CER, UN-ESCAP, and UNDP, *Urbanization in Central Asia: Challenges, Issues and Prospects*.
[160] ESPON and University of Geneva, *European Perspective on Specific Types of Territories*. ESPON recognize three groups of countries: 1) Countries with a balanced distribution of population between high-density urban clusters and small and medium-sized towns (Austria, Bulgaria, the Czech Republic, Denmark, Estonia, Finland, Italy, Latvia, Poland, Portugal, Romania, Sweden and Slovenia); 2) Countries with an overrepresentation of population living in smaller settlements (France, Hungary, Ireland, Lithuania, Luxembourg, Norway and Slovakia); 3) Countries in the central part of Europe, with high-density urban clusters as well as a large number of small and medium-sized towns, stretching from the south of England across the Benelux countries and west of Germany to north and north-east Italy. (ESPON – Towns and Territorial Cooperation May 2015).
[161] Ibid., 3.
[162] ESPON, *Territories Finding a New Momentum*, 8.
[163] Ibid., 41.
[164] Key official documents on the programme's renovation and expansion are available online at this address: http://ec.europa.eu/transport/themes/infrastructure/ten-t-guidelines/index_en.htm.
[165] The new budget for the TEN-T programme amounts to over 24 billion euros up to 2020, together with additional funding from the European Investment Bank and involved EU agencies.

[166] European Commission, *Core Network Corridors. Progress Report of the European Coordinators*.
[167] ETC Transport Consultants, *Transport Market Study for the Scandinavian Mediterranean RFC*.
[168] European Commission, *Core Network Corridors. Progress Report of the European Coordinators*.
[169] European Commission, *Communication to the European Parliament and the Council of the EU on the Urban Dimensions of EU Policies – Key Features of an EU Urban Agenda*.
[170] The case of Ireland's National Spatial Strategy is telling of the (horizontally and vertically) cross-cutting nature of urban policy, its challenges and the solutions it demands. The plan had to devise specific measures to foster urban sustainability and infrastructural interconnectedness throughout the Irish island, irrespective of the border with Northern Ireland (part of the United Kingdom), thereby promoting joint cross-border initiatives for territorial development.
[171] ESPON, *Second-Tier Cities and Territorial Development in Europe: Performance, Policies and Prospects*.
[172] Inteli, *Creative-Based Strategies in Small and Medium-Sized Cities: Guidelines for Local Authorities*.
[173] France hosts the largest number of municipalities (36,682) in Europe.
[174] Key actors, whose presence in the decision-making process has been enhanced include, among others, the General Commission for Territorial Equality (CGET); the National Observatory of the Urban Policy (*Observatoire national de la politique de la ville*); the National Agency for Urban Renewal (ANRU); the National Council of Cities (*Conseil national des villes*).
[175] The reform has strengthened the long-established and effective frame for inter-municipal cooperation (almost all of France's municipalities are part of an *Intercommunalité*) and sought more proactive grassroots participation through the promotion of *Conseils Citoyens*, citizenship councils, to make the decision-making process more transparent.
[176] The relationship between urban agglomerations and governance levels is so apparent that the smallest *Länder* – Berlin, Bremen and Hamburg – are generally considered city-states, as they barely extend beyond city limits.
[177] UN-Habitat, *State of the World's Cities 2012-2013*.
[178] Altenburg and Meyer-Stamer, *How to Promote Clusters*.
[179] Bolivia is currently going through the accession process, whilst the remaining South American countries are officially Mercosur-associated countries. Mexico and New Zealand have an observatory status within the organization.
[180] Source: http://www.mercosur.int/
[181] Sources: CONPES 3819, *Política Nacional para Consolidar el Sistema de Ciudades en Colombia, Departamento nacional de planeación,* 2014 and Misión Sistema de Ciudades, *Una política nacional para el sistema de ciudades colombiano con visión a largo plazo*.
[182] More information on this body is available online at this address: http://www.fccrmercosur.org/.
[183] UN-Habitat, *The State of Arab Cities 2012*, 139.
[184] Ibid., 172.
[185] The editors are particularly grateful to Mona Serageldin and François Vigier of the Institute for International Urban Development for their valuable comments to this section. See also Madbouly, *Revisiting Urban Planning in the Middle East North Africa Region*.
[186] Data in this section obtained from the United Nations' country profiles at UNData: http://data.un.org/Default.aspx.
[187] UN-Habitat, *Issue Paper on Informal Settlements*, 24.
[188] Yousef, *Development, Growth and Policy Reform in the Middle East and North Africa since 1950*.
[189] UN-Habitat, *State of the World's Cities 2008/2009 – Harmonious Cities*.
[190] Florida, *2013's Best-Performing American Cities*.
[191] *OECD, Trends in Urbanisation and Urban Policies in OECD Countries;* Sapotichne, *The Evolution of National Urban Policy: Congressional Agendas, Presidential Power, and Public Opinion*.
[192] Florida, *2013's Best-Performing American Cities*.
[193] Pendall and Carruthers, *Does Density Exacerbate Income Segregation?*. Recent economic forces and pressures, especially in the aftermath of the global financial crisis, have catalyzed this kind of process, shifting the paradigm of urban poverty in the United States from deprivation in inner urban areas to a kind of 'suburban poverty' that upsets and reverts the idea of affluence that was traditionally linked to isolation in sprawled urban expansions (see UNECE et al., *Towards a City-Focused, People-Centred and Integrated Approach to the New Urban Agenda*, 22).
[194] Resnik, *Urban Sprawl, Smart Growth, and Deliberative Democracy*.
[195] Singh, Pathirana, and Shi, *Assessing Coastal Vulnerability*; Gao, *Regional Industrial Growth*; Kotkin and Schill, *A Map Of America's Future*; AfDB, OECD, and UNDP, *African Economic Outlook 2015*.
[196] See also the periodical OECD publication series: *OECD Territorial Reviews*. A full archive is available online: http://www.oecd-ilibrary.org/urban-rural-and-regional-development/oecd-territorial-reviews_19900759.
[197] UN-Habitat, *Contribution of UN-Habitat to the Post-2015 Development Agenda*. In a meeting organized by UN-Habitat on 'the role of intermediate cities in strengthening rural-urban linkages towards the New Urban Agenda' in Montería (Colombia), on 27 – 28 October 2015, a group of experts added to the UN-Habitat resolution, the need to promote multi-sectoral and multilevel approaches to strengthen the governance of small and intermediary cities; promote strong leadership and long-term visions and plans for cities and regions; and improve information and knowledge exchanges – and the role of ICTs, data collection, and the debate on food security issues. See UN-Habitat, *Communiqué on the Role of Intermediary Cities*.
[198] UN-Habitat, *Cuenca Declaration for Habitat III*.
[199] General Assembly of the United Nations, *Draft outcome document of the United Nations Conference on Housing and Sustainable Urban Development (Habitat III)*, 29 September 2016, paragraph 95.
[200] 'The spatial reorganization phenomena just described do not differ in nature from those that took place in the U.S. already in the second half of the 20th century and led the economic profession to develop concepts such as spatial equilibrium and agglomeration economies to explain urban growth and decline in the American continent' (Leanza and Carbonaro, *Socially Inclusive Urban Transformation after the Great Recession, Towards a New Civic Economy Model*). For a recent summary of the American debate on this issue see also Glaeser, *Cities, Agglomeration, and Spatial Equilibrium*.



03.

TERRITORIES: REGIONS, SMALL TÓWNS AND RURAL MUNICIPALITIES

1. INTRODUCTION

1.1 PURPOSE OF THE CHAPTER

According to data for 2015, 58% of the world's population reside in rural areas and smaller human 'settlements' – small cities, towns, villages – with a population of 50,000 individuals or fewer.[1] The socio-economic wellbeing of a significant share of the world's inhabitants – including those in urban settlements – is thus intrinsically linked to the viability, sustainability and dynamism of these territories. Overcoming a rigid rural-urban dichotomy is a condition for the achievement of many of the Sustainable Development Goals (SDGs) and the New Urban Agenda. As acknowledged in the process paving the way to Habitat III, many of the key components of the New Urban Agenda necessitate a wider territorial approach.[2] The involvement of regions, small towns and rural municipalities is, therefore, as critical as that of metropolitan areas and intermediary cities to strengthening collaboration and integration along the rural-urban continuum.

These different levels of sub-national government have the potential to make a significant contribution to socio-economic development; social inclusiveness and welfare; poverty alleviation, and the protection of natural resources, at both a local and higher levels of governance. This suggests that regions, small towns and rural municipalities warrant considerably more attention than they have so far received and should figure much more prominently in the economic, social and environmental development agendas of developed and developing countries alike.

The purpose of this chapter is to provide a multifaceted exploration of the issues relating to the fulfilment of the socio-economic and environmental potential of regions, small towns and rural municipalities. This is based upon a hypothesis that a more collaborative multilevel governance framework and more integrated regional strategies can unlock local potential and bolster a more balanced urban and territorial development.

Such regional strategies should be supported by a **territorial approach to development** (TAD), fostering activities embedded in the territory (i.e. stimulating endogenous growth); putting human values at the core of the local agenda; and mobilizing local assets. Territorial approaches to development can be catalyzers of national development from the bottom up. National and sub-national governments alike should thus strengthen their collaboration and aim for an effective multilevel governance system to reduce gaps, build on complementarities and foster new synergies.

Overcoming a rigid rural-urban dichotomy is a condition for the achievement of many of the Sustainable Development Goals (SDGs) and the New Urban Agenda

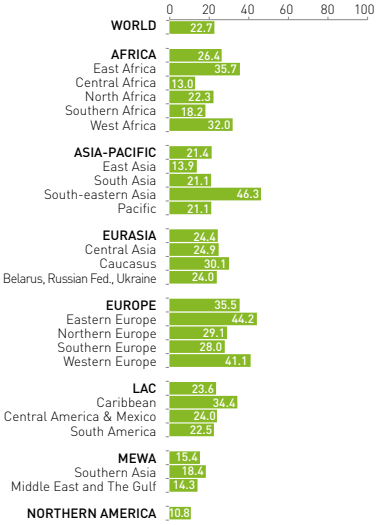
1.1.1 Key conceptualizations

According to the work of a number of policy-makers and researchers, the relevance of sub-national territorial units in development policy has increased significantly in the last few decades. This is partly as a consequence

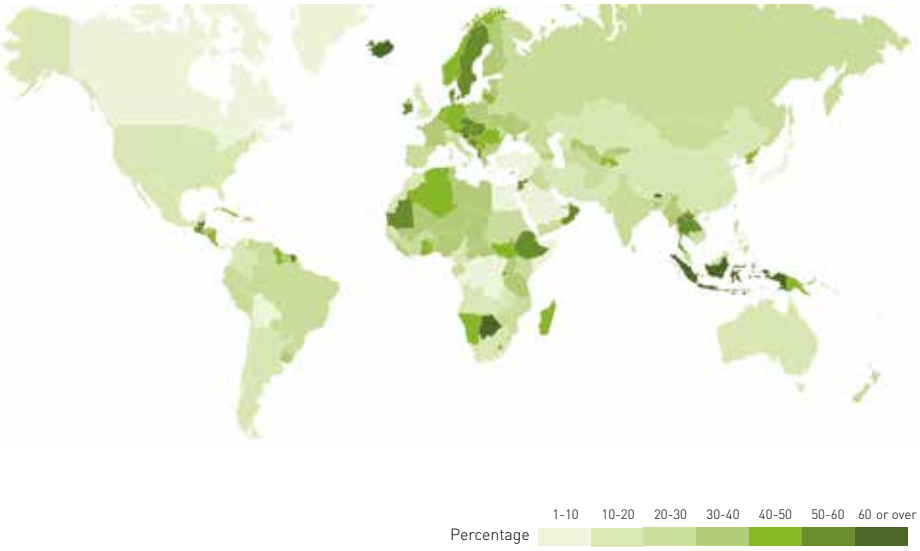
SMALL CITIES, TERRITORIES AND RURAL LINKAGES

Source: UCLG and UN-DESA

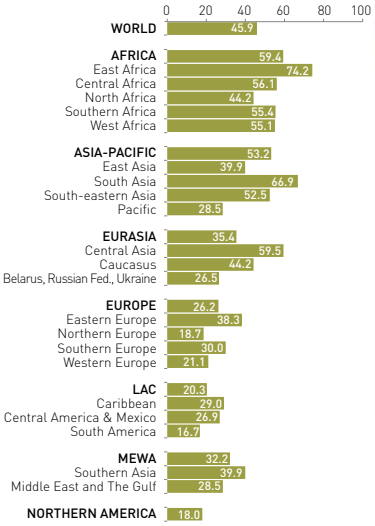
World's distribution of urban population residing in small cities by UCLG regions* (%)



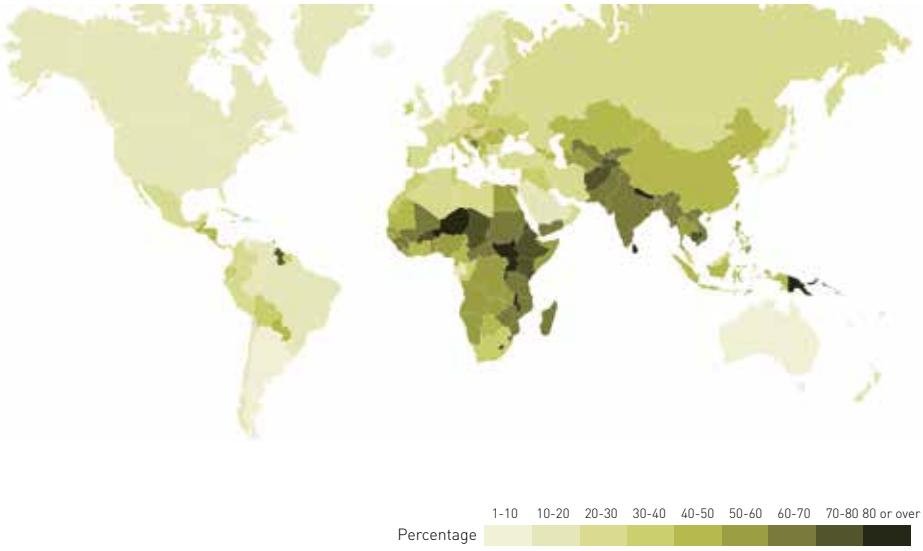
Urban population residing in small cities by country, 2015 (%)



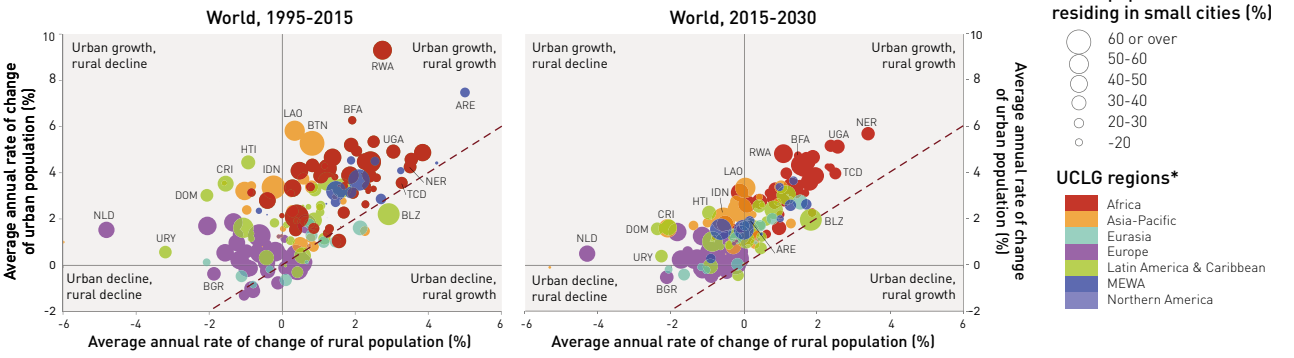
World's distribution of rural population by UCLG regions* (%)



Rural population by country, 2015 (%)



Average annual rate of change of urban and rural populations in countries by percentage of population residing in small cities, 1995-2015, 2015-2030



* For the UCLG definition of world regions and the countries they comprise, please refer to the Methodological Annex at the end of the report.

of globalization processes that have accentuated their role.[3] The emergence of an increasingly competitive, knowledge-intensive global economy on the one hand, and the territorial scale at which processes of growth, development and change have to operate on the other, imply that 'globalisation is progressively increasing the importance of regional processes and the role of local actors in shaping development trajectories'.[4] Ultimately, not only have socio-economic growth and change trickled down to sub-national levels, they have in fact been catalyzed by a variety of localized factors – each of them conditioned by the unique characteristics and dynamics of the locality in which they have taken place.[5]

1.1.2 Regions, small towns and rural municipalities

There is considerable variation in the territorial categorization of regions, small towns and rural municipalities. The typology includes, for example, territories characterized by markedly different economic and industrial specializations and different degrees of reliance on agricultural, industrial, or service activities. Both urban and rural areas belong to this group – as well as those territories that cannot easily be situated in the rural-urban dichotomy. Moreover, regions, small towns and rural municipalities display considerable heterogeneity within the political and administrative structures of the countries to which they belong.

The population of small towns and rural municipalities is smaller than that of large metropolitan areas and intermediary cities, which are also addressed in this report (Chapters 1 and 2 respectively). But regions may vary enormously in size, depending on their institutional and geographical context, with their populations ranging from a few thousand (e.g. the Åland islands in Finland) to tens of millions (e.g. certain Chinese provinces and Indian states). Regions across the world are therefore better defined according to their level of government, i.e. as intermediary between national and local governments, and by their capacity to implement autonomous policies and deliver public goods.

Moreover, the definition of a settlement based on the number of inhabitants may be different in different contexts. Definitions of territorial units tend to vary between countries, and are usually based on population size and in some cases administrative status, density or concentration of non-agricultural employment.

In Sweden, for example, an urban centre is a built-up area with at least 200 households with gaps of no more than 200m between them. In contrast, in India most of the rural population live in villages of between 500 and 5,000 inhabitants. Classified according to the Swedish definition, India would have a predominantly urban rather than rural population.[6]

Another example is Egypt where, by 1996, 17.5% of the population lived in settlements of between 10,000 and 20,000 inhabitants. These had many urban characteristics, including significant non-agricultural economies and occupational structures but were not classified as urban areas, even though in most other countries they would have been.[7]

Definitions in one country may also change over time, only adding to the difficulty of making comparisons. In Mali, for example, until the 1987 census, urban centres included all settlements of over 5,000 residents, increasing to 30,000 residents in 1998 and 40,000 in 2009.[8]

In spite of the heterogeneity, especially between regions and other generally smaller, lower-tier territorial units, this chapter aims to draw out **'common denominators'**; provide insights that are **applicable across territories of all sizes**; and single out those features that can inform the design of inclusive territorial approaches, as well as generate social and economic development, and promote environmental sustainability. The role of these territories in the implementation of the SDGs and the New Urban Agenda must be fully recognized and integrated within national policies. They can and must be on the same stage as metropolitan areas and intermediary cities.

The role of these territories in the implementation of the SDGs and the New Urban Agenda must be fully recognized and integrated within national policies

1.2 STRUCTURE OF THE CHAPTER

This chapter is composed of three sections. Section 2 explores and evaluates geographically widespread processes of 'regionalization'. This is interpreted to mean how the increasing functional autonomy of sub-national governments affects territorial

governance and calls for a more collaborative and cooperative approach. This is as part of a federal structure in some contexts and a decentralization process in others and involves all different spheres of government. The section proposes multilevel governance (MLG) as a means of increasing horizontal and vertical cooperation; mitigating coordination failures and, ultimately, increasing the efficiency of decentralization processes.

Section 3 focuses on territorial approaches to development (TADs) at the regional level. It argues these are the most suitable strategic approach to the pursuit of endogenous, sustainable and inclusive economic growth in the kinds of territories within the report's scope of analysis. It advocates robust regional strategic planning processes and economic development policies as part of the growing role of regions in national development strategies. Territorially-specific approaches have been associated, initially, with a series of socio-economic advantages. These relate to their capacity to embed economic activity in a given territory, contribute to the generation of new employment opportunities, and empower local stakeholders. Second, because of their integrative, participatory and dynamic nature, they are able to achieve a more equitable, inclusive and sustainable economic growth. Section 3 also explores the importance of developing balanced and holistic policies, given the co-dependent and synergic relationships between local socio-economic and environmental systems.

Section 4, finally, tackles the role that small urban centres can play in the development of surrounding rural regions, focusing on small towns, their diversity and demographic importance. This section builds on a working definition that explicitly includes spatial and sectoral dimensions, and reviews the evidence of the role of small towns in regional development. It concludes with an analysis of different governance issues, looking at the roles of civil society and the private sector, as well as how to foster rural-urban partnerships.

The analysis is only a first step in this debate. However, it indicates how and why the priorities and concerns of regions, small towns and rural municipalities inevitably differ from those of other typologies. The overarching implication is that approaches to sustaining economic development and social change must differ for regions, small towns and rural municipalities compared with more urbanized areas where industrial, higher added-value and, in some cases, more knowledge-intensive activities are abundant and diffused.

Photo: Ivan Ivankovic - Dubrovnik (Croatia).

2.
REGIONAL GOVERNANCE

Functioning as an intermediary between the national and local level, states in federal countries and regional governments in unitary countries are a key part of contemporary governance and thus the SDGs and the New Urban Agenda. Coherent strategies and policies at different sub-national levels are therefore essential. This is to articulate spatial development across all scales and perspectives, as well as make adequate use of synergies and functional complementarities between both different types of human settlements, and urban and rural areas. Regions are one of the political spaces in which cities and urban systems are embedded. They are responsible for territories characterized by a constant interplay of rural and urban factors, where they can guarantee a sustainable interdependence. **Regional governments, in other words, are pivotal to the promotion of sustainable development and the enhancement of territorial cohesion**.

The growing relevance of regions is a result of the so-called 'global trend toward decentralization' which has emerged over the past few decades. This is contributing to a reinforcement of sub-national units' centrality.[9] Decentralization (or devolution)[10] involves the transfer of powers, resources and responsibilities to increasingly autonomous and legitimate sub-national authorities.

Although decentralization is by no means a new phenomenon, a deep shift means more and more regions, cities and municipalities are gaining access to power, resources and responsibilities.[11] The first GOLD report, for example, underlined that 'in the last 20 years, decentralization has established itself as a political and institutional phenomenon in most countries around the world'.[12] In spite of its diffusion, this phenomenon is far less known or talked about than parallel processes such as globalization.

Nonetheless, as a result of this change, regions are being acknowledged as drivers of development in many countries. They have grown into economic engines that drive development in their territories and play a fundamental role in job creation, sustainable development and social cohesion. This perspective is shared by many international organizations and other actors in the global community, whose policy-oriented analyses and reports tend to highlight the importance of a regional approach to the problems and challenges of global economic growth.[13]

At the same time as this recognition of the socio-economic relevance of regions as 'territories', there is a marked tendency to bolster and support the institutional capacities of their governments. Regions are being given the responsibility to lead on key public policies aimed at economic development, as well as other sectors and competences.

Many regional governments have taken steps to create and participate in international networks, projecting their goals and strategic priorities outwards. Examples include the Council of European Municipalities and Regions (CEMR); the Assembly of European Regions; the Association of European Border Regions; the Conference of Peripheral Maritime Regions in Europe; UCLG's Forum of Regions; the Organization of United Regions (ORU/FOGAR); the Network of Regional Governments for Sustainable Development (nrg4SD), and R20 Regions of Climate Action.

Advances in regional autonomy however have been uneven. This section focuses on the recent evolution of regional government and governance, with particular attention given to its current state of development. It draws

Regions have grown into economic engines that drive development in their territories and play a fundamental role in job creation, sustainable development and social cohesion

certain conclusions to guide the public policy-making process and its scope of analysis is two-fold: i) it explores current regional phenomena, the inherent diversity of this level of government and progress in regionalization and decentralization agendas; ii) it develops a multilevel approach to the improvement of the institutional and operational capabilities and resources of regional governments.

2.1 REGIONAL GOVERNMENTS, THEIR EVOLUTION AND IMPACT ON TERRITORIAL GOVERNANCE

Regionalization has re-emerged in the second half of the 20th century, in both the political discourse and practices of many states

Traditionally, there are two main models of territorial organization of the modern state. On the one hand, the unitary model identifies the state with a territory, legal system and public administration that are unified. This implies the existence of one legislative power, whose decisions are applicable to the whole territory; one judicial administration with national jurisdiction; one executive power whose mandate extends from the central executive (e.g. presidency, ministries) to all dimensions of territorial management (e.g. governors, prefects, mayors); and, most importantly, one constitutional arrangement that defines and applies to the whole population and political organization.

The central government 'can delegate power through decentralization to local governing institutional units, serving as an administrative arm of the central government to provide uniform and equal access to public services'.[14] In this regard, centralized states are able to have several levels of government (e.g. central, regional or departmental, local), without transforming the nature of the state.

On the other hand, many federal or compound states tend to have a dual constitutional order, with a central (federal) jurisdiction and several (federated) territorial jurisdictions. Many federated territories have their own constitution, which defines their domestic regime and political and administrative arrangement. These units, however, are subject to the federal constitution, that determines the overall organization of the state. This system is usually defined as a 'federal pact', to emphasize both its autonomy and non-hierarchical linkage to a common constitutional order. It has, in other words, 'a multi-ordered government, with somewhat independent governments that share decision-making responsibilities for the supply of public services'.[15]

Federal arrangements may vary significantly according to a country's own history and political traditions. Federal governments have historically tended to strengthen their grip on federated states by unifying legal and administrative frameworks across the country. So, the weaker the traditions, particularisms and privileges held by federated states, regions and provinces, the stronger the control exerted by the federal government. Consistent with this dynamic, certain states have evolved into federal countries with the central government having tight control over the political autonomy of the lower tiers – e.g. Mexico, Venezuela or Argentina. Even the United States, generally regarded as the archetype of modern federal states, betrays a constant tension between the powers held by the federal government and those of federated states.

Regionalization has re-emerged in the second half of the 20th century, in both the political discourse and practices of many states. The organization of territorial governance has undergone certain transformations, and various policy, administrative and economic issues have arisen at the regional level, including democratic and identity claims. This has elicited a new relationship between central and territorial governments, prompting a significant move towards administrative and, under certain conditions, political decentralization. A 'regionalizing' trend can be clearly seen in Western Europe since the 1970s, with unitary states such as Italy, France and Spain beginning a process of explicit regionalization and Belgium, for example, adopting a federal order.

This trend peaks during the 1980s and into the next decade. It is then labelled 'new regionalism', a combination of both theoretical and policy perspectives that directly relate to the relevance of regions as sub-national or city-regional units of economic and political authority. This widespread and systematic acknowledgment allows regions and lower-tier governments to take an active part in the national economic restructuring that has resulted in globalization and, as is the case in Europe, in supranational integration.[16] It is during the 1990s that the regionalist ideal develops into

a model whereby regions 'fill the void' that the nation-state – deemed too small to cope with global issues and too large and remote to guarantee the development of all its territory and the wellbeing of all its citizens – is expected to leave.

These overarching phenomena and their historical evolution have informed and shaped regional governments as we know them. This section uses a two-fold approach to explore these outcomes: i) it analyzes the (often significant) diversity of federal units (e.g. states, *Länder*, regions, provinces); ii) it studies the evolution of regionalization against a backdrop of decentralization and territorial management policies.

These changes have affected the concept of 'forms of state'. This means today's spectrum of territorial organization and arrangements no longer fits easily into a clear-cut dualism between unitary and federal structures. Thus, it needs a more nuanced continuum of diverse political realities to understand it.

2.1.1 Regional and intermediary governments in the world

Until the 1970s, the world was by and large dominated by a centripetal political logic and culture. Only those states that were constitutionally federal could conceive of a degree of political autonomy below the central tier. They were concentrated in specific geographic areas, such as Northern America (the United States and Canada), areas of Europe (Austria, Germany, Switzerland and, before its break-up, Yugoslavia), as well as other large countries of British political tradition (such as Australia or India).

Because of their federal history, most of these countries still have traditionally strong and empowered regions, endowed with executive and legislative powers, and financial capabilities, and actively engaged in political processes at all levels of governance.

Until the 1970s, however, many other countries were formally federal – e.g. the Soviet Union; Argentina, Brazil, Mexico, Venezuela; Nigeria; Malaysia, Nepal and Pakistan; and the United Arab Emirates – although they (sometimes substantially) restricted the scope of powers devolved to federated units.

In just four decades, however, thanks to decentralization processes around the world, the weakening of the traditional dominance of the unitary state (see Figure 2.1) has meant that sub-national governments have far more authority and resources at their disposal (see Figure 2.2) – with certain significant exceptions, such as in the Arab world and Central Asia.

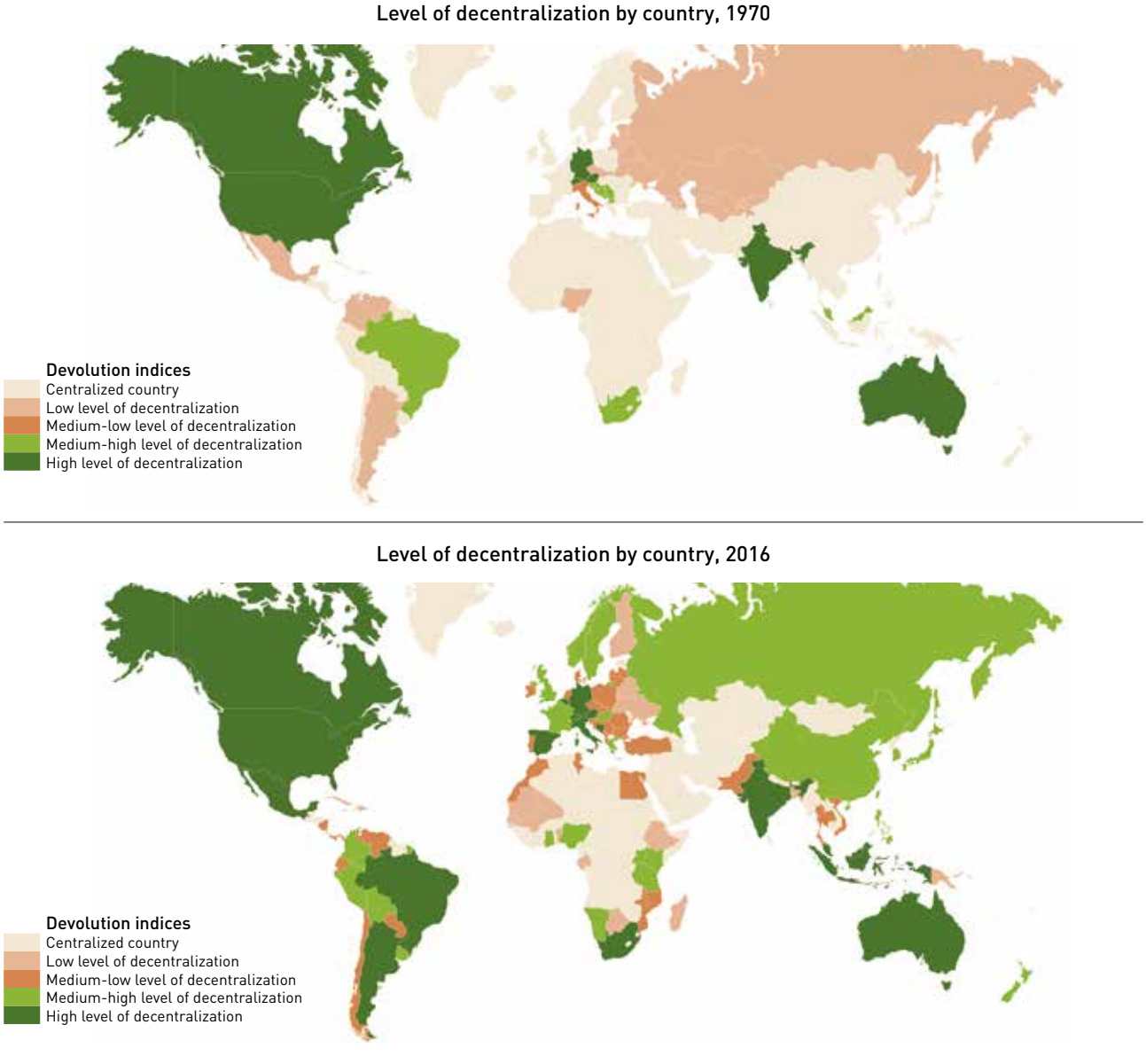
Decentralization, regionalization and the emergence of intermediary governments, however, manifest themselves in very diverse

Until the 1970s, the world was by and large dominated by a centripetal political logic and culture

Photo: Maarten - Göreme (Turkey).

Figures 2.1 and 2.2 **Forms of state and decentralization, 1970-2016**

Source: Regional Authority Index and different devolution indices. 'Authors' elaboration[17]



ways, and accord with countries' national political traditions, forms of state, geography and history. **Many countries have developed a particular 'design' or balance of power in the undefined 'grey area' of intermediary government between national and municipal powers**. Not only do many countries constitutionally – or, at least, legally – recognize various different intermediary levels of administration, they also tend to distribute powers and competences among them in very different ways. So, for example, while in many unitary and centralized states, intermediary administrative levels have no autonomy and act rather as territorial representatives of the central government, in others they have varying degrees of power and resources.

In an attempt to arrive at a reliable typology of intermediary administrative levels, the OECD has developed a long-established regional classification that distinguishes between territorial levels (TLs). While the state and its central government are recognized as the first TL, most countries have at least two other TLs before the municipal level. The OECD traditionally labels these as TL2 and TL3. TL2 is usually represented by federated states or provinces in (con)federations, and

'regions' or derivatives in unitary states. TL3, directly below TL2, is normally represented by 'departments', 'provinces' or derivatives, such as cantons, counties or districts.

In Europe, for example, Germany's *Länder* and *Landkreise*, France's *Régions* and *Départements*, Italy's *Regioni* and *Province*, and Spain's *Comunidades Autónomas* and *Provincias* follow the dualistic OECD categories.

However, while most countries conform to this administrative scheme, not all do.[18] Significantly, even long-standing federative polities like Russia and India do not have a formal administrative division corresponding to OECD's TL3 units.

Acknowledging the intermediary level of local government and its diversity has been crucial for the effectiveness and feasibility of the EU's regional and cohesion policies. For statistical purposes, the EU has divided its territory into a three-level Nomenclature of Territorial Units for Statistics (NUTS). The definition and scope of NUTS2 and NUTS3 are comparable to the OECD's TL2 and TL3 levels respectively.[19] Besides their statistical purpose, the NUTS system of the EU has played a key role in the recognition of regions and other intermediary governments, by making them the primary recipients of the funds, investments, aids and goals of EU cohesion and other regional policies.

2.1.2 Diversity and variation in decentralization around the world

The global trend towards decentralization has been geographically pervasive. But it has not been a homogeneous process. As discussed, there is considerable cross-country variation in the extent to which sub-national government powers and responsibilities are devolved.

In some cases, larger cities or provinces have been the recipients, as is the case in China. In others, the main beneficiaries are municipalities, counties, districts or villages (e.g. the *panchayats* in India). In Latin America, for example, Brazil has empowered federated states and municipalities alike, while in traditionally unitary countries such as Bolivia, Colombia, Ecuador and Peru, decentralization has initially focused on municipalities and only addressed intermediary tiers (regions, provinces and departments) at a later stage. Even in constitutionally federal countries such as the United States, Canada, Australia, India, Argentina and Mexico, the political relevance of federated states has in general increased.

The heterogeneity of decentralization trends towards sub-national governments since the 1970s, in Europe, Asia and Latin America can be seen in Figures 2.3, 2.4 and 2.5 respectively.

The global trend towards decentralization has been geographically pervasive

Photo: Ian Sane - Astoria, Oregon (United States).

Figure 2.3 **Decentralization in selected European countries, 1970-2010**

Source: Regional Authority Index. Authors' elaboration

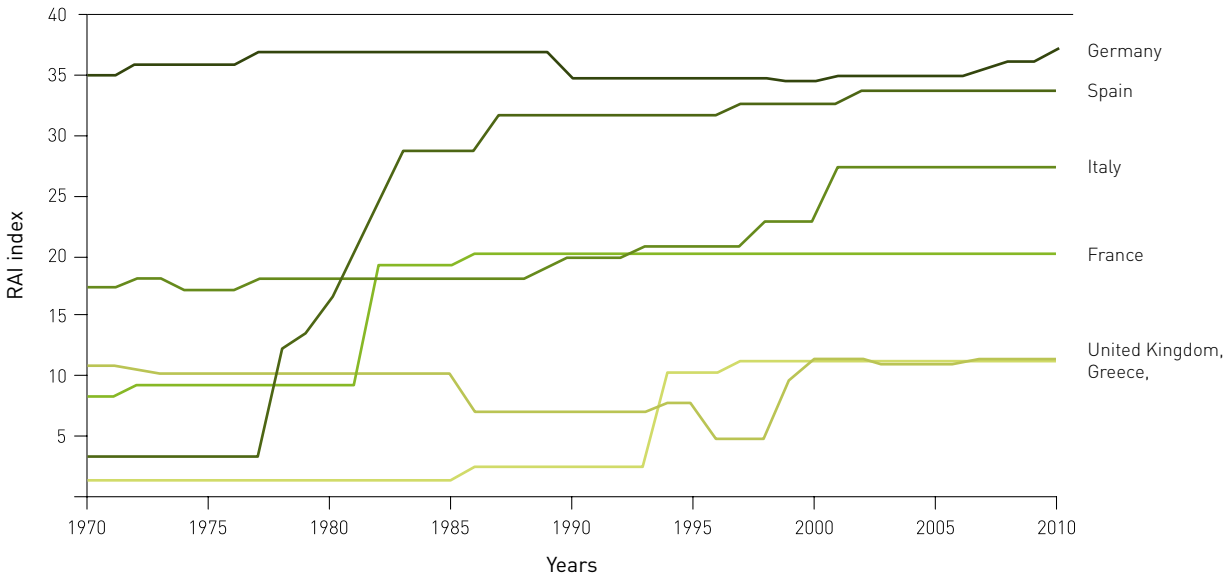
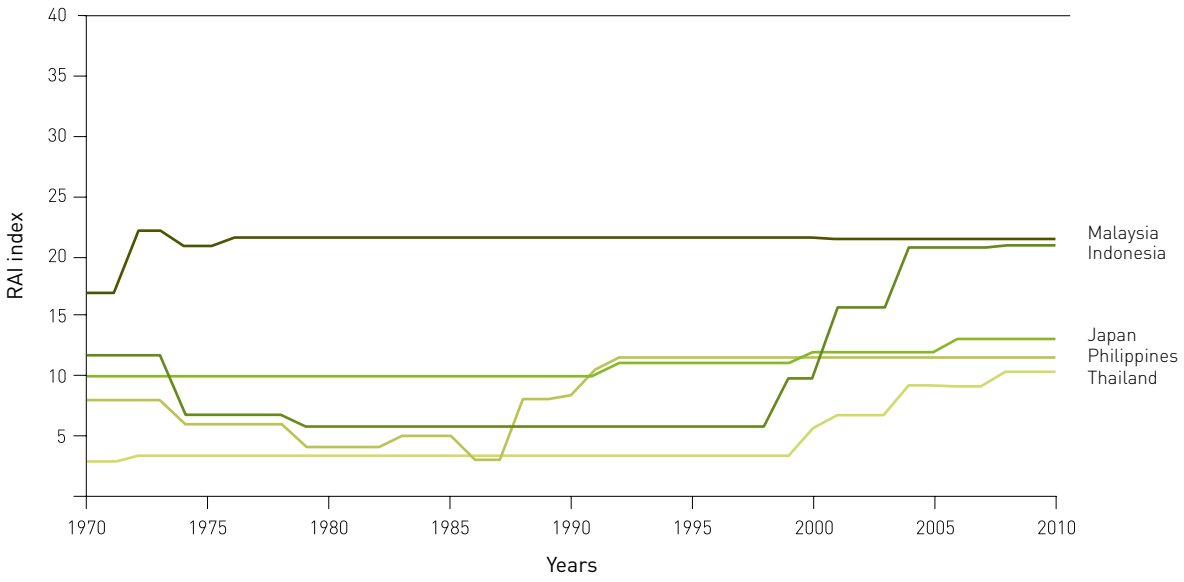


Figure 2.4 **Decentralization in selected Asian countries, 1970-2010**

Source: Regional Authority Index. Authors' elaboration



Decentralization processes differ in **three main respects**. The **first** relates to when they commenced and, by extension, to **the maturity of the decentralized systems**. Processes of devolution began in the latter part of the 1970s (e.g. Spain) and throughout the 1980s (e.g. France, Brazil and Colombia). In Indonesia and Thailand, however, decentralization did not fully take off until the very end of the 1990s. It was only in the 1990s, for instance, that both Northern and Sub-Saharan African countries experienced some form of decentralization. Morocco and South Africa, two of the most advanced systems in Africa, are discussed

Figure 2.5 **Decentralization in selected Latin American countries, 1970-2010**

Source: Regional Authority Index. Authors' elaboration

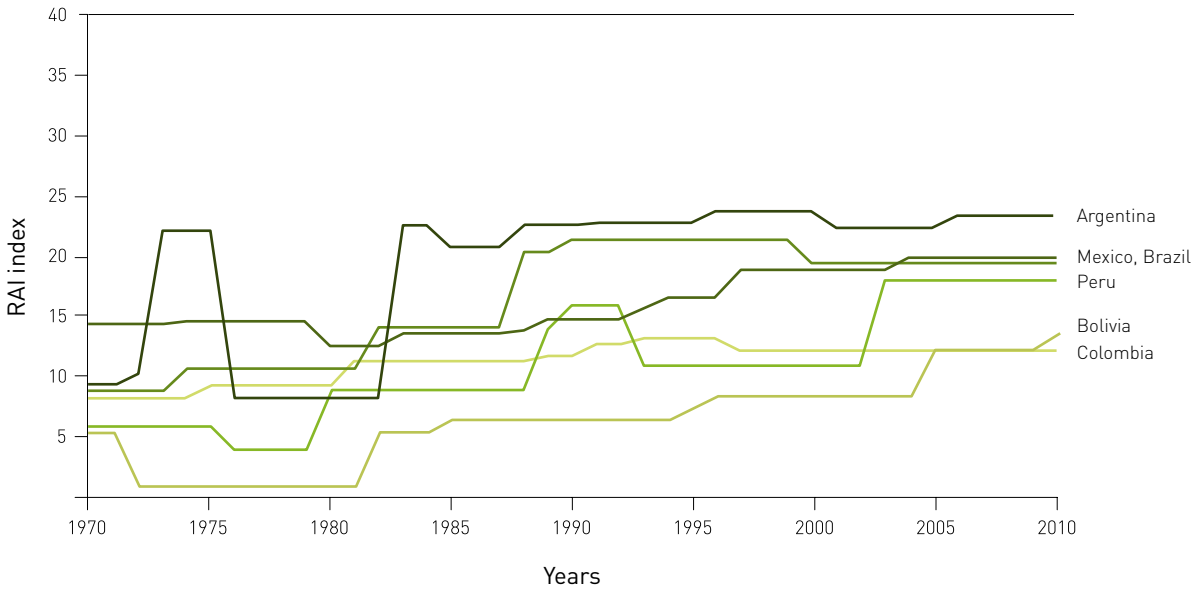
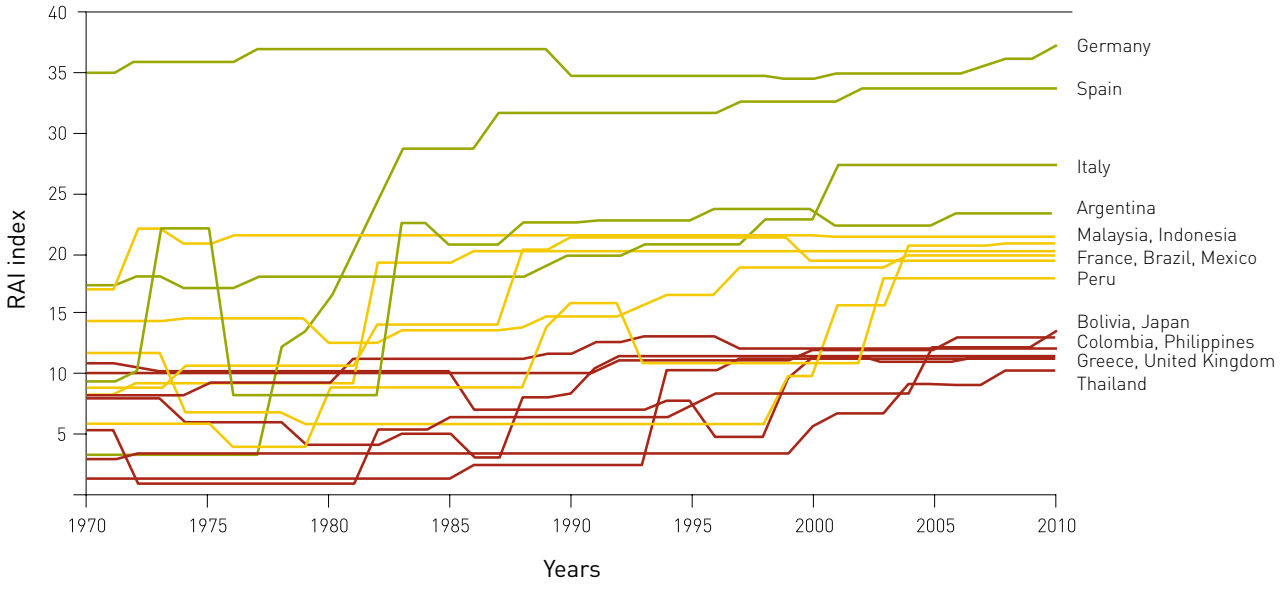


Figure 2.6 **Decentralization in selected World countries, 1970-2010**

Source: Regional Authority Index. Authors' elaboration



later in this section. Moreover, since 1996, Ethiopia has adopted a federal constitution and made impressive strides in developing its regional administration.

The **second** considers **the speed at which processes of decentralization have taken place**. In certain countries – such as Bolivia, Brazil, Peru, the Philippines, Thailand or Italy – decentralization has been a gradual process where sub-national units have been given more autonomy incrementally over several decades. In others, the pace of decentralization has been (relatively) fast – the role and powers of sub-national governments in Indonesia,

Argentina and, to a lesser degree, Spain, for example, increased considerably in the space of just a few years.

The **third** and perhaps most important point relates to **the extent to which powers, resources and responsibilities have been transferred** to sub-national governments. Regional governments in Germany, Spain, Italy, Argentina and Mexico possess, to varying degrees, high levels of autonomy and influence. In other countries, this is shared between regions (or other intermediate governments) and municipalities – e.g. Brazil, Indonesia, the Philippines, Colombia and Bolivia. In the United Kingdom, Greece and Thailand, decentralization has been more moderate and, in some cases, has developed in an asymmetrical way. In the United Kingdom, for instance, Northern Ireland, Scotland and Wales have managed to obtain a federal-like relationship with the British government, which continues to act unitarily and has only devolved very limited powers to England's sub-national governments.

Given this diversity, it is perhaps not surprising that **the exact implications and consequences of decentralization are as varied as the processes themselves**. Sub-national territories in 'decentralized' countries have generally been entrusted with greater control over the design of

BOX 2.1 ARGENTINA: AN EXAMPLE OF LIMITED FEDERALISM

Argentina is a federal state that has swung between periods of strong centralization and greater federalism. Since 1991, the devolution of more functions to the provinces – with only limited decentralization of financial resources – has emerged as a trend. This has had contradictory effects, leading to both advances and setbacks in provincial autonomy – particularly since provinces have been unable to perform their new functions adequately.[20]

Decentralization processes in Argentina are the political consequence of a struggle between the federal government and the provinces for distribution of economic resources, functions and powers. The country's institutionalized system has historically constrained the role and aspirations of Argentinian provincial governments. Until 1987, the lack of shared fiscal responsibility limited the funding of provinces to direct transfers from the central government budget. This was subject to volatile political balances and negotiations, and the fluctuating state of the national economy. After the profound economic and financial crisis that hit the country in the 1990s and early 2000s, a package of deep financial reforms was implemented.

Constitutional reform in 2004 further restructured the distribution of fiscal responsibility and revenues between the central government and federal provinces. The current fiscal organization of the Argentinian federation is a highly complex maze of distributed and shared competences and financial flows – known in the literature as a 'tax labyrinth'.[21] Tax revenue, in particular, is constitutionally linked to a fiscal system of sharing between the two levels.

The province of Santa Fe is a relatively prosperous region of 3.5 million inhabitants, 363 municipalities and a total annual GDP of about EUR 2.3 billion (2015). In 2016 the province managed an overall budget of about EUR 6.04 billion.[22] Together with the rest of Argentinian provinces, Santa Fe also participates in a centralized fiscal 'co-participation' fund, in which provinces both contribute to and receive from a mechanism of fiscal redistribution. Federal law defines what fiscal revenues contribute to this fund. About 55% of it is re-distributed to provinces. According to current law and its most recent modifications, the province of Santa Fe receives slightly above 9% of the fund.[23]

Nevertheless, Santa Fe has developed a comprehensive strategic plan – *Visión 2030* that tackles key public policy areas: health, education, mobility and transport infrastructure, environmental sustainability and economic competitiveness (with particular attention to the productivity of its strong rural economy).

Moreover, the strategic plan focuses specifically on the inclusion of all social and economic stakeholders and interlocutors. Its development and implementation involves the creation of ad hoc institutional spaces for debate among public institutions, the private sector and civil society, and aims to convert citizen participation into a flagship provincial policy.[24]

territorial development strategies. These include economic policies (e.g. agricultural, industrial); infrastructure development (e.g. transport, occasionally energy and communications); land planning; and attracting foreign investment. They have similar powers for education, healthcare, culture, public services and other social programmes (e.g. unemployment security), environment (e.g. water resources, forest, coastal areas), civil protection, and many other competences. The degree and nature of these powers varies dramatically between and within countries, particularly where decentralization has been implemented asymmetrically.

A grasp of these three aspects is essential to a more nuanced understanding of regional governments and their powers around the world. This is key to sharpen the conventionally dualistic opposition between unity and federalism, still valid in constitutional terms. A more detailed analysis of variations in the degree of decentralization and regional autonomy provides further evidence that many countries that have decentralized are heading not necessarily towards federal structures, but rather towards a regionalization trend that favours advanced regional self-governments.[25]

De jure federal states, however, are still showing the highest levels of regional autonomy. These include Argentina, Australia, Australia, Austria, Belgium, Bosnia and Herzegovina, Brazil, Canada, Germany, India, Mexico, Nigeria, Switzerland and the United States. Malaysia is an exception (see Section 2.1.3). Countries next in line in terms of their degree of regional or sub-national autonomy are those where strong decentralization processes have favoured the regions that make up their polities, sometimes in spite of a long-standing centralist or unitary tradition. Spain and Italy, for example, are today considered de facto federations, a definition also applied to Indonesia and South Africa. These instances of 'regional' states differ from federal states on a key point. While in federations, units have willingly ceded some of their prerogatives to a newly formed central government, in regional states a strong central government devolves and delegates certain powers and competences to its own sub-national units.

On the other hand, many regions may not yet be in a position to benefit fully from their increased autonomy.

Local capacity constraints are especially

BOX 2.2 MOROCCO: AN EXAMPLE OF REGIONALIZATION PROCESSES IN AFRICA

Morocco began its decentralization policy in the 1970s. The creation of regions in 1971 seemed to be consistent with the countries' development strategy and needs. However, these territorial units were originally meant only to serve as tools of political control.[26] Since the constitutional reforms of the 1990s and a regional law in 1997, the process of regionalization has been more explicit. Sixteen regions have been established with powers and competences, although they are still controlled by an appointed governor ('Wally'). These have had the explicit objective of overcoming traditional tribal, cultural and linguistic identities.

In 2011, King Mohammed VI put forward a plan for advanced regionalization. This included the direct election of regional governors, limited supervision and political control by the central government, as well as enhanced regional responsibilities, including the promotion of economic capabilities; private entrepreneurship; and public investment in environmental protection, water and energy management, infrastructure, health, education and transport.

A region like Greater Casablanca, for example, has direct responsibility for fostering and allocating private investments to initiatives of industrial and commercial planning. In 2016, the Casablanca-Settat region (which has included since 2015 the former Greater Casablanca region and five more provinces from other surrounding regions, with a total population of about 7 million people), had a regional budget of approximately EUR 28.5 million (306 million Moroccan dirhams), mostly obtained through local tax revenue (52.5%).

The regional government uses these resources to autonomously develop its economic development plans, which are eventually submitted to the Economic, Social and Environment Council (*Conseil Economique, Social et de l'Environnement*). This body preserves the central government's ultimate right to control budget allocations across local authorities. This shared system of checks and balances is not uncommon in Morocco, especially after the latest slate of constitutional reforms in 2011.

Morocco's new constitution places clear limits on the process of regionalization. Legislation reaffirms the value of Article 7, which prohibits the creation of any political party of ethnic, religious, linguistic or regional nature. However, there has been a marked compromise balancing the regional dynamics and the preservation of territorial and national unity – one of the cornerstones of Morocco's state culture.

BOX 2.3 THE COMPLEX PATH TO AN INDONESIAN REGIONALISM

Indonesia is a country of immense territorial and human diversity: the state is distributed across more than 13,000 islands and has a population comprising hundreds of ethnic and linguistic groups. After gaining independence, Indonesia opted for a unitary state based on highly centralizing policies and strategies.

These have historically been a source of tension in territories like Aceh, Papua or West Timor. With the fall of Suharto's regime in 1998, a formula of 'asymmetric decentralization' emerged as a compromise between the unitary structure of the Indonesian state and the degree of territorial autonomy needed to keep these territories together.

Indonesia adopted a new structure with 34 provinces, five of which have special statutes for political, fiscal and administrative decentralization. This experiment has created, so far, a *de facto* quasi-federal state, without jeopardizing the inherent unitary character of the state's functions.

The five special-status provinces are an attempt to tackle the otherwise complex and controversial political reality of post-Suharto Indonesia. They acknowledge the administrative challenges of consolidating political specificities, and are part of a strategy by the central government to control centrifugal forces via decentralization and increased local autonomy.

The Special Capital Region of Jakarta is expected to address the specific conditions of the Indonesian metropolis. The Yogyakarta Special Region recognizes the administrative status of the embedded Yogyakarta Sultanate. Only Aceh and the two Papuan provinces (Papua and West Papua) build somewhat on historically established regions and ethno-cultural divisions.

In the case of Papua, in particular, the central government has promoted enhanced autonomy as a means of fostering and preserving social inclusion and environmental sustainability in the region – one of the most biodiverse in the world and home to a number of indigenous ethnic groups.[27]

evident in the African context and this has been a fundamental restriction, particularly in poorer or more remote contexts. Recent analyses have however emphasized the way in which these obstacles, far from been insurmountable, can be mitigated by appropriate capacity-building initiatives and practices.[28]

The nuanced continuum of self-government capabilities at the regional level can be illustrated in a 'continental map'. Federalism and regionalism have long been relevant in the Americas – with the exception of certain parts of Central America.[29] Europe is experiencing significant diversification in the nature of its regional units, because of the EU's institutional structure and the changes arising from its expanding membership, which today includes a number of unitary or partially decentralized states.[30] The situation in Asia and the Pacific has changed notably, mostly because of the progress made in China and Indonesia.[31] With some scattered exceptions (Nigeria, Russia, South Africa and more recently Morocco) on the other hand, Africa, Eurasia and the MEWA region have experienced a persistently weak level of regionalization overall.[32]

The significant variation in regional autonomy in just four decades is irrespective of the divide between functional impact and legal-constitutional formalization. The Russian Federation, though formally federal, is in reality a loosely regionalized state. Conversely, France, traditionally a centralized country, has strengthened the autonomy of its regions. This lack of a constitutional 'anchor' for French regionalism has allowed the central government to extensively redraw the country's regional map (discussed in more detail below and in Section 3.2).

Ultimately then, besides certain commonalities that can be extrapolated for geographical areas or specific political traditions, **variety and complexity still characterize regions, federalism and regionalization across the world**.

Some other examples shed more light on this enduring diversity. South Africa's provincial system was originally designed to transcend the country's ethnic divisions, and provinces have since emerged as a safety net, guaranteeing the stability of the state's multi-ethnic structure. Each province has a provincial unicameral executive legislature, directly elected every five years, and which builds on its own party-based political dynamics, representing territorial interests and actors otherwise marginalized in national politics. Provinces can adopt their own constitution but this is limited by the national constitution. They do not have their own court system and the responsibilities of their governments are restricted, while other competences are shared with the national government (e.g. agriculture, education, health, and public housing). Resources are distributed among three levels of government (central, provincial

BOX 2.4 GERMANY: THE MODEL OF EUROPEAN FEDERALISM

Germany's *Bund* is a good example of federal organization of the state in Europe. The German constitution or Basic Law (*Grundgesetz*, articles 70 through 75) defines a clear distribution of powers and competences between the federal government (*Bundesregierung*) and the 16 *Länder*, the federated units of the *Bund*.

The principles of this are straightforward. Federal law prevails over *Länder*'s law. The Basic Law explicitly states the competences of the federal government and leaves all other legislative fields to the *Länder*.

Only federal law can delegate competences to the *Länder* in those areas constitutionally the prerogative of the federal government. Article 72, in particular, addresses the issue of shared competences between the central and federated governments. As a general principle, *Länder* can legislate on shared competences only when the federal government has not already done so.

Since 1992, in light of the role of the *Länder* as governmental units in the architecture of the EU, Article 23 of the *Grundgesetz* has authorized them to participate in the EU's legislative process. This relates to matters that are either an exclusive or shared competence of the EU, and an exclusive prerogative of *Länder* law under the German constitution.

These competences have opened the way for regional participation in the EU's legislative process. In those fields in which regions have exclusive competence, therefore, a representative from a *Land* may become Germany's (and the whole federation's) only representative in the Council of the EU. The relevance of German *Länder* is all the more significant considering the Regional Chamber, the *Bundesrat*, has the power of veto over the accession of new EU Member States and any modifications to the EU Treaties.

Finally, German *Länder* enjoy a relatively high degree of fiscal autonomy. As is common in federal states, the *Länder* benefit more from tax revenue shared with the federal government than from their own tax bases. The federal and regional levels share significant sources of revenue such as value-added and personal income taxes in a fairly equitable way.

Financial indicators such as GDP per capita and annual budget expenditures still show impressive, structural differences across *Länder*. Population-related divisions are most visible when comparing 'state-like' *Länder* with the three city-states of Berlin, Bremen and Hamburg. In 2011, for example, Bremen, a *Land* of about 660,000 inhabitants, had the second smallest public budget (EUR 5.3 billion) and the second highest per capita annual income (just over EUR 47,600 per capita).

Resource-related differences and inequalities among regions are most visible when comparing the *Länder* that were formerly part of the German Democratic Republic with those that formed West Germany.

The five eastern *Länder* have the five lowest per capita GDPs of the federation. In this regard, the German federation has established a complex but effective mechanism of both vertical and horizontal financial compensation for less competitive *Länder*.

Richer states provide transfers to poorer *Länder* until these are able to reach 95% of the national average in revenue. The federal government provides additional grants to enable states to reach 99.5% of the national average.

As of 2014, only Bayern, Baden-Württemberg and Hessen (the three wealthiest non-city *Länder* of the federation) were net donors to this mechanism. Annually, the system of vertical and horizontal grants circulates about EUR 20 billion across the various regional budgets.[34]

and local) after tripartite negotiations. It is a system that still leaves room for uncertainty about the actual amounts allocated to each level.[33] Boxes 2.1-2.5 provide some more examples.

Finally, sub-national authorities around the world have been granted, to a varying degree increased autonomy and have been entrusted with more or less effective powers and responsibilities for the strengthening of their socio-economic dynamism and the wellbeing of their population. This has spurred a paradigm shift in development policy, increasing the manoeuvrability of sub-national authorities to devise and implement territory-oriented approaches to development.

2.1.3 Financial capabilities of intermediary governments around the world

As discussed, the degree of devolution of competences and institutional powers is often not enough for intermediary levels to achieve autonomy and self-government. Even in federal states, where federated governments are constitutionally included in the co-sharing of responsibilities and powers, the actions of regional governments may be curbed by a lack of clearly allocated and sufficient financial resources. The distribution of financial capabilities is diverse across countries – be they federal or unitary – and serves as a litmus test of how much central governments are willing to accept devolution, when it comes to sharing their own powers with lower levels and authorities.

A few conclusions may be drawn from a Global Observatory on Local Finances sample study of 93 countries around the world.[35] This finds a clear division between federal and unitary states in terms of sub-national governments' fiscal autonomy and relevance. In 2013, federal sub-national governments received, on average, 49.8% of public revenues (16.9% of GDP) and were accountable for 47.7% of public expenditure (17.6% of GDP). In unitary countries, this fell to 19.6% and 18.6%, corresponding to 7.1% and 7.3% of national GDP respectively.

Table 2.1 highlights the high levels of sub-national financial participation in federal and quasi-federal countries. In most countries in this group, sub-national public revenues as a percentage of the country's total public revenues ranged from over

Table 2.1 **Sub-national governments' expenditures and revenues as a proportion of total public expenditures and revenues and GDP, 2013**

Source: UCLG-OECD, Global Observatory on Local Finances

FEDERAL COUNTRIES	Revenues		Expenditures	
	% Total public revenues	% GDP	% Total public expenditures	% GDP
Canada	74.4	28.3	76.5	31.1
India	64.5	13.0	53.9	14.8
Switzerland	60.2	20.2	61.0	20.5
Russia	57.0	24.6	58.4	24.7
Brazil	56.4	22.0	53.3	22.7
Argentina	55.0	11.9	50.7	12.1
Spain	54.0	20.3	48.0	21.2
United States	51.8	17.2	48.1	18.6
Mexico	51.3	12.6	50.6	12.4
Germany	46.2	20.6	46.2	20.5
Australia	45.1	15.3	46.4	16.9
Belgium	43.8	22.6	42.3	23.0
Nigeria	40.0	4.9	38.1	5.3
Austria	35.1	17.4	34.6	17.6
Malaysia	12.6	3.4	7.3	3.0
Average federal countries	**49.8**	**16.9**	**47.7**	**17.6**
Average unitary countries	**19.6**	**7.1**	**18.6**	**7.3**
OECD countries (35 countries)	33.3	13.7	31.7	13.8
Low-income countries (11 countries)	7.9	1.6	6.96	1.64
Low middle-income countries (20 countries)	20.64	6.31	18.87	6.46

30% (e.g. Austria, 35.1%) to almost 65% (e.g. India, 64.5%). Similarly, the proportion of public spending relative to the national total ranged from about 35% (Austria, 34.6%) to just above 60% (Switzerland, 61%). Compared with these large 'averages' two cases stand out. On the one hand, Canada's sub-national authorities collected an impressive 74.4% of national public revenues and 76.5% of public expenditures. On the other hand, in federal Malaysia, sub-national governments collected just 12.6% of national public revenues and only 7.3% of total public spending. The low figures for Malaysia do not equate with other states of similar population or size and can be partially explained by the country's limited and fragmented decentralization process and its large central civil service.

The data sample also reveals a striking difference between OECD and other countries. On average, sub-national governments in OECD countries (including federated states) were responsible for 31.7% of public spending (equivalent to 13.8% of GDP). This fell to just 7% in low-income and mostly African countries, equivalent to 1.64% of GDP. Sub-national governments in OECD countries were responsible for 33.3% of total public revenues (an average 13.7% of GDP) compared with just 7.9% in low-income countries (1.6% of GDP).

The relationship between national wealth and development and sub-national governments' participation in public finance cannot be generalized. Within the group of OECD countries, sub-national public investment varied from 5.9% (Greece) and 9.8% (Ireland) to almost 50% (Sweden, Japan and Korea). A similarly diverse picture is seen in lower-income countries.

Tanzania – which has implemented extensive decentralization reforms – devolved 21.8% of public revenues to its sub-national governments. Uganda (14.6% and 18.2% of public expenditures and revenues respectively) and Mali (11.7% and 14%) follow close behind. Meanwhile, public expenditure and revenues in Benin, Burkina Faso, Chad, Guinea, Malawi, Niger and Togo are all below 5% and 6% respectively – and in certain cases do not even reach levels of 1% of GDP.

While there has been progress in many countries (especially in Latin America and Asia) through the decentralization of responsibilities and revenues, the variations in data demonstrate once again the importance of national context and specificities.

These expenditure indicators should however be approached with care, since they tend to overestimate the true extent of decentralization within countries. In fact, in many developing countries a high share of decentralized expenditure tends to conceal the actual supervisory authority of central governments. In such contexts public finances still rely on compulsory national spending guidelines that limit the autonomy of sub-national governments. Similarly, in many countries that are still in the early stages of developing decentralization frameworks, the allocation of responsibilities to sub-national levels has tended to vary from year to year according to shifting national priorities.

The degree of devolution of competences and institutional powers is often not enough for intermediary levels to achieve autonomy and self-government

Table 2.2 **Sub-national governments' expenditures and revenues as a proportion of total public expenditures and revenues and GDP by regions, 2013**

Source: UCLG-OECD, Global Observatory on Local Finances

BY REGION Number of countries in the sample given in brackets	Revenues		Expenditures	
	% Total public revenues	% GDP	% Total public 'expenditures'	% GDP
Africa (19)	12.9	3.25	12.1	3.51
Asia-Pacific (13)	35.0	10.4	30.0	11.0
Eurasia (7)	25.5	8.16	27.4	8.18
Europe (35)	27.7	12.0	26.0	12.0
LAC (14)	21.2	5.8	21.4	6.2
MEWA (3)	9.8	3.17	8.7	3.10
Northern America (2)	63.1	22.7	62.3	24,9

With regard to revenue sources and autonomy, in 2013 grants or subsidies constituted more than half of sub-national revenues (53.6%), including those dedicated to current expenditures. Tax revenues represented only 29.8%, followed by others such as tariffs on local public services, licences and similar fees (14.7%). These figures reveal the strong reliance of sub-national governments' revenues on intergovernmental transfers.

The lack of an enabling legal framework often prevents actual sub-national autonomy in the management of tax bases and rates. Some countries, moreover, have historically lacked the human and technical capacity at that level to collect taxes and similar revenues.

As regards sub-national shares in public investment, federal states tend to record higher figures. In the Global Observatory study sample, sub-national investment represented 60.3% of total public investment in all federal countries. Sub-national governments represented 39.5% of all public investment in all countries (53.2% in OECD countries – despite declining rates in those states most affected by the recent financial crisis).

So far as other basic economic indicators are concerned, in 2013 investment by sub-national governments accounted for 1.4% of the total GDP of all countries, a share that is much higher in OECD countries such as Korea (3.1%), Japan (2.9%), and Canada (3.4%), as well as in certain emerging countries such as Peru and Thailand.

Decentralization processes have not been linear and, in some cases, have inhibited the development of effective regional self-government

2.1.4 Assessing 'political regionalism' between Habitat II and Habitat III

How has political regionalism progressed in the 20 years spanning Habitat II and Habitat III? The answer is mixed. On the one hand, regions are relevant and present as administrative and developmental units. But on the other, the extent to which this has translated into a political and institutional dimension remains unclear.

A few conclusions can however be drawn to inform future actions and agendas. Firstly, as stated there is no evidence of a direct correlation between the role of regions as administrative units in charge of a specific territory and a rise in their profile or institutional and political capabilities at the national level. The functionalist assumption has been that economic and territorial factors would more or less directly translate into national or supranational political effects such as jurisdictional redefinitions or new governance arrangements favouring regional policy initiatives.[36] These factors include, among others, agglomeration economies, capital accumulation and territorial competition. However, there is no evidence that this has happened.

The recent redrawing of France's regional map supports this view. Downsizing from 22 to 13 metropolitan regions (including Corsica) may be easily justified from a functional, productivity-oriented vantage point: it is supposed to elicit more efficient service provision, economies of scale, better territorial planning and improved innovation and competitiveness. But the heavily centralized redesign process and its outcomes have been very much in question.

For example, historic regions such as Alsace, Lorraine or Aquitaine were merged with other territorial units. The denomination of newly merged regions, as well as the definition of their capitals and the seat of their institutions, has reignited old debates and confrontations. Reform has affected those strong bonds of identity, culture and politics that linked municipalities, residents and regions in joint politico-administrative entities with a solid historic, geographic and cultural core.

A second conclusion relates to the state and its role as a fundamental political unit. The emergence of other levels of government, such as regional, does not necessarily imply a loss of power at the centre, just as the rise of global cities and regions does not correspondingly necessitate the demise of the nation-state.

At the same time, states have to become aware of the impact their uncontested normative primacy can have on regions' ability to perform and fulfil their mandates – at both the domestic and international level. In this regard, however, national governments are responsible for developing more collaborative strategies, bolstering legal clarity and security, and promoting stronger regional institutions and resources, to help foster the role and presence of regions.

The third conclusion to be drawn from this analysis is that while regionalization has progressed significantly, the conditions of its implementation are in reality hindering the strength and effectiveness of regional authorities to fulfil their mandate. This is particularly true in relation to the availability of financial resources and capabilities.

Decentralization processes have not been linear and, in some cases, they have inhibited the development of effective regional

self-government. Domestic institutional factors determine the ideal trajectory for decentralization in each country. Political regionalism has not established a universal agenda regardless of national conditions – the case for regionalism and decentralization remains specific to each and every national context.

The degree of empowerment of regional governments varies enormously between countries, and even within countries**. An enabling legal and institutional environment, in which regional and local governments can fulfil their responsibilities, innovate and capitalize on their resources, is imperative for national development processes to truly harness their local potential**. Adequate legal and institutional frameworks require a clear understanding of responsibilities and powers (and how to pool them) for every level of sub-national government. They also need **effective fiscal decentralization, financing capacities and adequate equalization mechanisms to bridge the gaps between regions**.

However, the goal of political regionalism is not simply the increased transfer of functions and resources from the centre, but rather **the evolution of the state's role through a more nuanced, diversified relationship with its regions and territories**. This change in the relationship between different levels of government needs, therefore, to be structural and profound.

It must aim for more coordination, cooperation and effectiveness between different levels of governance; and ensure that decentralization processes are as efficient as possible, i.e. that the responsibilities

BOX 2.5 REGIONALISM AS CHANGE IN POLITICAL AND INSTITUTIONAL CULTURE

The acknowledgement of the internal diversity of states has already prompted a significant cultural shift in their traditional order. A 2009 study conceptualizes this change in six specific dimensions:[37]

a) **From centralization to decentralization**: the governance model has moved from a system of centralized intervention, especially in economic activities, to the promotion of decentralizing measures aimed not just at unburdening central institutions, but also as a feature of good governance;
b) **From territorial symmetry to asymmetry and diversity**: many states have refrained from opposing particularisms (either historical or cultural) or certain structural difficulties in administering their territories (e.g. overseas territories or departments), accepting that diverse cultures and resources can pave the way for different development models;
c) **From regionalization to regionalism**: while the former implies a top-down approach to centralized planning controlled by the state, the latter promotes a bottom-up model aimed at regional empowerment through concepts such as territorial development, regional innovation or 'learning regions';
d) **Multilevel governance (MLG)**: this concept, developed in much more detail in the following sections, builds on the idea that the competences and responsibilities of government have to be vertically distributed and cannot be allocated rigidly at one level according to horizontal divisions. This necessitates all levels sharing information and collaborating fully, so that every level can publicly and accountably lead horizontal relations with respective stakeholders;
e) **From a 'principal agent' to a non-hierarchical 'choice' model**: MLG implies a shift from territories practically implementing decisions ordered and executed from the centre to regional authorities producing and selecting from different political options through tailored diverse processes - even as regards their own institutional design. This system tends, moreover, to establish strategic rather than hierarchical relationships between regions and local interests;
f) **From fiscal centralization to decentralization**: states are progressively abandoning a purely extractive and redistributive logic, traditionally justified in terms of cross-national equity, in favour of additional funding, more services, and more financial capabilities given to regional authorities. This is expected to stimulate competitiveness and foster regions' ability to level their own economic performance, while at the same time contributing proactively to the performance of the whole country.

and mandates entrusted to sub-national governments match the resources and powers allotted to them, and that decentralization policies share the strengths of all actors equally across a country's territorial spectrum.[38]

BOX 2.6 REGIONS AND THE DEVELOPMENT OF AN MLG FRAMEWORK IN EUROPE

Within the EU, the Committee of the Regions (CoR) represents regional and local governments EU-wide, and has been at the forefront of a more comprehensive approach to MLG.

In 2009, the CoR published a White Paper on multi-tier cooperation which defined MLG as 'coordinated action by the European Union, the Member States and local and regional authorities, based on partnership and aimed at drawing up and implementing EU policies. It leads to responsibility being shared between the different tiers of government concerned and is underpinned by all sources of democratic legitimacy and the representative nature of the different players involved'.[39]

The idea is simple. For public policy to achieve its expected outcomes, all levels of government involved in its creation must be engaged in the design, implementation and monitoring stages.

The CoR's work on MLG is not limited to the White Paper. After its publication and for three years (2011-2013), the CoR issued an annual 'Multilevel Governance Scoreboard', a tool to operationalize and measure indicators of MLG 'quality' as applied to various European policies.

Finally, in April 2014, the CoR adopted the Charter for Multilevel Governance in Europe, which sets out the guiding principles of an MLG approach. These are: transparent and inclusive policy-making; participation and engagement of all relevant public and private stakeholders; policy efficiency; coherence and budget synergies across the different tiers of government; respect for the principles of subsidiarity and proportionality; and the defence of human rights at all levels.[40]

2.2 TERRITORIAL COORDINATION AND POLICY EFFECTIVENESS: MULTILEVEL GOVERNANCE

A well-designed MLG framework is critical to ensuring that decentralization processes have better development policy outcomes, by minimizing the inefficiencies, inequality and institutional risks associated with the distribution of powers and resources between national, regional and local governments.

Multilevel governance (MLG) calls for a paradigmatic shift in the relation between different levels of government. Several decades of uneven reforms have shown there is no optimal level of decentralization and that implementation and competences are strongly country-specific. At the same time, policy overlap is inevitable in decentralized contexts: complete separation of responsibilities and outcomes in policy-making cannot be achieved and different levels of government are interdependent. Public management in such contexts thus requires MLG in all cases, i.e. the reinforcement of mechanisms for coordination that help regulate division of responsibilities, compensate for differences and bridge asymmetries between different institutions currently hindering the delivery of effective public policies.

In this regard, MLG has been defined as a 'decision-making system to define and implement public policies produced collaboratively, either vertically (between different levels of government, including national, federal, regional or local) or horizontally (within the same level, e.g. between ministries or between local governments) or both. In order to be effective, **MLG should be rooted in the principle of subsidiarity, the respect for local autonomy and establish mechanisms of trust and structured dialogue**'.[41]

MLG implies engagement and influence – with no one level of activity being superior to another – and therefore a mutual dependence as policy-making becomes increasingly intertwined across different levels.[42] In Europe, perhaps the most sophisticated MLG 'laboratory' to date, this has not been limited to public institutions alone, but has involved

non-public actors from the private sector and civil society at various stages of the decision-making process.

The following sub-section adopts MLG as the analytical framework of choice to study how coordination across different tiers of government can be improved. It examines – through specific examples – the emergence of MLG and its conceptual development as a normative tool both between (vertical) and within (horizontal) different levels of government.

2.2.1 Practices of multilevel governance

Since the 2000s, international institutions in different world regions have tried to develop a clearer framework for MLG as a means of enhancing intergovernmental coordination and policy efficiency. The OECD, for instance, has identified the key challenges that have so far characterized the tentative implementation of MLG in different political contexts.[43]

Different countries have already been developing and using an array of mechanisms to bridge the gaps and improve the coherence of their multilevel policy-making schemes. These have been both 'binding' (e.g. legal mechanisms) and 'soft'. The structural, formal involvement of sub-national governments in policy-making may take time, but the benefits are expected to outweigh the costs in the long term. This chapter analyzes key examples of MLG experiences and mechanisms that address specific gaps directly (in policy and objectives, planning and programming, funding, capacity and administrative, information and accountability terms), to help shape an inclusive and participative decentralization agenda.

Lack of coordination has been a key **policy challenge** in regionalizing, decentralizing schemes that rely on vertical institutional relations to cascade implementation of certain policy decisions. In this regard, an emerging territorialized approach questions the ways in which policies are conceived.

Horizontal coordination, both at national level (e.g. between ministries and central government agencies) and regional and local governments, is likewise essential. Inter-ministerial commissions and committees (e.g. in Denmark, Korea and Norway); re-structured ministerial functions and competences to strengthen coordination of sub-national policies; regional strategic planning consistent with long-term national platforms and roadmaps; the establishment of *ad hoc* regional ministries; and the creation of national agencies dedicated to the preservation of policy coherence between national and regional development plans are just some of the most common forms of cross-level coordination that have evolved in the past few decades (see Box 2.7). **Shared planning, comprehensive dialogue and joint financial responsibilities seem to be keywords for the future of national-local cooperation across different levels of government**.

MLG may also play a role in **overcoming 'goal' gaps** between different levels of government. The desire for seamless cooperation often clashes with political reality. Party allegiances, for example, may exacerbate conflict on policy agendas, meaning political

BOX 2.7 INSTITUTIONALIZED FRAMEWORKS OF CROSS-LEVEL DIALOGUE[44]

The shift in regional policy with regard to strategic programming has provided a framework for coordinating committees and groups under the supervision of national governments and ministries, or in response to the requirements of national policies and legislation. Examples include the Council of Australian Governments (COAG) in **Australia**, the Standing Conference of Federal and State Ministers Responsible for Spatial Planning or, more recently, the Joint Task for the Improvement of Regional Economic Structure (GRW) in **Germany** and the Conference of Regional Presidents in **Spain**. In **Australia**, for example, the COAG has since 1992 been the main platform of coordination among local governments for development and inter-jurisdictional cross-level policies.

The COAG has been actively cooperating with national ministers to facilitate consultation on regional interests in the implementation of policy reforms and the resolution of cross-level or inter-regional issues. The federal regional development agencies (RDAs) in **Canada** are part of a multi-party procedure that involves federal, provincial and local agencies with the aim of streamlining the implementation of federal programmes. In **Chile**, competence transfers are brokered by the Under-Secretariat for Regional Development, in consultation with the National Association of Regional Councillors and the Association of Chilean Municipalities. In **Ghana**, the central government has implemented a National Legal Framework to support and supervise local initiatives via a National Steering Committee that includes governments, employers, labour and territorial development consultants. This multilevel arrangement provides necessary technical support without jeopardizing the local ownership of initiatives.[45]

objectives prevail over the common good. The distribution of responsibilities in MLG systems fosters participatory and contractual forms that may incentivize actors at all levels to prioritize cooperation rather than political self-interest. In **Europe**, in general, the design of EU territorial, regional and cohesion policies has promoted contractual negotiations, and a 'smart specialization' strategy is now a prerequisite for any region to successfully access the EU's structural funds for innovation (see Section 3.2).[46]

Several examples stand out in this regard. In **France**, the bilateral State-Region Planning Contract (*Contrat de Plan Etat-Régions* – CPER) has become a key tool of French regional policy.[47] **Italy** too has one of Europe's strongest traditions in contractual regional development, which helps simplify the state's bureaucratic machinery while also involving regions in a speedier decision-making process (a requirement of the 1946 constitution that was only implemented in 1970). Inspired by these experiences, other countries have developed the practice of a 'contract' between different levels of government (see Box 2.8 on the experience of Colombia).

Planning and programming can also be useful policy tools for regional coordination. In many countries, national development planning has gradually evolved towards a more regionalized approach (see Section 3.2) and the integration of economic and spatial dimensions. This is the case for instruments such as the EU-based National Strategic Reference Framework, **Japan**'s National Spatial Strategy, or **Korea**'s Comprehensive National Territorial Plan.[48]

The **fiscal gap** – i.e. the gap between local governments' available resources and the cost of meeting their devolved functions and responsibilities – remains a crucial challenge for the implementation of MLG. At the same time, however, funding, budgets and shared performance indicators can be a useful tool for MLG schemes. These can improve monitoring and transparency, foster financial synergies, and provide a voice for local governments in integrated policy-making.

Resource inequality across levels of government is not exclusively financial. Many intermediary units suffer from **gaps in administrative and human resources** when compared with national governments. Strengthening professional capacities at sub-national levels is key to ensuring strategic resource management, monitoring and evaluation, and adjustment capabilities. Accountable enforcement, similarly, is crucial to the success and feasibility of cooperative MLG policy-making schemes.

When distributing competences, goals and resources across different, diverse and complex levels of sub-national government, MLG schemes are at risk of an accountability challenge – i.e. difficulty guaranteeing transparency across constituencies and government tiers. They are also vulnerable to informational gaps, when asymmetries arise across different levels of government in the design, implementation and delivery of public policies. Information is a key political weapon to gain bargaining power with other actors and institutions. But it can also be difficult to access because of legal or institutional obstacles that prevent the thorough and transparent vertical flow of information between the involved agents.

BOX 2.8 MULTILEVEL INTEGRATION THROUGH THE *CONTRATO* PLANS IN COLOMBIA'S DEPARTMENTS[49]

As part of the framework of its National Development Plan 2010-2014, **Colombia** created the *Contrato* plan to promote strategic planning and joint implementation of regional development among regional and national authorities. Since 2012, the government has invested of nearly USD 7 billion on these plans, which currently involve seven departments. The *Contrato* plans are likely to foster the participation of more institutionally active and aware regional governments. However, these should also include communities and territorial units with less institutional capital, as well as citizens with limited access to key services and opportunities.

One example is the *Contrato* plan in Boyacá, signed in November 2012 initially for five years (later increased to seven), with a budget of USD 344 million (68% from central government and 32% from local budgets). Its main objectives were: improve connectivity; touristic development; promote science, technology and innovation; support planning and land use; and update the cadastral register.

In 2016, about three quarters of the plan's roadmap had been executed, involving 117 municipalities and 35 projects in eight sectors. The main investments were in transport (roads), agriculture, tourism and technologies (a regional training centre and support to mining).

In Sweden, the Open Comparison project aims to increase transparency in local public services' cost management.[50] In Chile, a National System of Municipal Information provides a comprehensive source of information about the management of the country's 345 municipalities and includes data on those budgets, human resources and services transferred to municipal administrations.[51] In Norway, the KOSTRA municipality state reporting system has been publicly pooling data among sub-national governments, central government and the citizenship.[52]

2.2.2 Governance and horizontal cooperation between regions and local governments

Horizontal cooperation between and within regions and municipalities can create a 'relevant critical mass' by pooling resources and sharing services. These are then more widely accessible to consumers and users, as well as more financially sustainable, and the attractiveness and strategic positioning of the whole territory is consequently enhanced.[53]

In a fragmented system of competence and financial capability, territories and local governments have little choice other than to cooperate if they want to be visible and relevant to their national governments and communities in terms of their economy, productive system, social guarantees and cultural heritage.

Furthermore, many territories – especially those that face budget restrictions and resource depletion – have no other option than to cooperate if they want to provide quality basic services whose 'individual' costs would otherwise be unaffordable.

An institutionalized and effective MLG can foster territorial competition in efficient service provision, thus eliciting a virtuous circle of increasing investment in cooperation frameworks and programmes with results that are beneficial for an even larger number of settlements, actors, and institutions.

The practice of institutionalized MLG has moved in this direction. In Europe – the cradle of these kinds of collaborative schemes – 'various types of networking and cooperation already exist among towns, [...] both within countries as well as across national borders'.[54]

Neighbouring towns have invested in cooperation for specific public services – waste management, energy, health and education being the most common – so that their provision can achieve the necessary economies of scale and critical mass that make them affordable even for smaller communities.

Certain schemes have developed with the explicit and formalized inclusion of larger, better resourced cities. These can act as a catalyst for more efficient infrastructural connectedness, the promotion of rural-urban linkages, and the pursuit of a territorial development with economic and socially beneficial effects at both ends of the territorial continuum.

Territorial cooperation – through the vertical integration of local governments, regardless of size, function and scope – also tends to transcend administrative limits and borders. Europe has a long-standing tradition of cooperation schemes established across national borders and among towns that share the same geographical, infrastructural and developmental features, challenges and objectives.

This cross-border territorial integration involves tiers of local government in processes that would not otherwise be considered for integrated development of territories and population. These tend to focus on shared service provision, essential cross-border infrastructure, and enhanced representation and political influence for a number of intermediary governments.

Finally, **territorial cooperation has proven vital for the development of small and medium-sized towns**. This is particularly true of the provision of services of general interest to the larger territory in which they are embedded. Small towns, their interconnections and mutual reliance are often a valuable asset in the regulation of rural-urban relations (see Section 4 of this chapter). Rural territories can serve as vents for problems of resource management and density often experienced in urban settlements. Cooperating well-networked towns can have unique infrastructural benefits for rural areas' development.

Cooperation between municipalities and regions has often provided solutions for sectors such as waste management, mobility and public transit, and integrated planning, harnessing the full potential of the interdependent relationship between smaller urban settlements and the rural economy. Scarce data and the marginal statistical relevance of these kinds of cooperation schemes mean further analysis by policy-makers at all levels is needed so that rural-urban linkages can become a solution rather

An institutionalized and effective MLG can foster territorial competition in efficient service provision rather than sheer economic competitiveness

than a constraint for the comprehensive sustainable development of integrated and inclusive territories.

2.2.3 Multilevel governance and the regional policy agenda

Horizontally integrated local governments can pool resources, legitimacy and expertise to achieve a critical mass whose relevance was hardly imaginable a few decades ago

The analysis in this section demonstrates that MLG is the policy-making mechanism of choice to foster dialogue and collaborative governance across different levels of government. It can bring about a number of beneficial effects for local and regional governments, but is hindered by certain persistent risks. It is not, ultimately, a neutral concept. MLG favours efficient and effective public policy-making, while regional authorities emphasize the recognition of their democratic legitimacy in their quest for a greater role in traditional policy-making structures. The focus thus moves from the recognition of sub-national governments' responsibilities to the efficiency of concerted public policies as paramount.

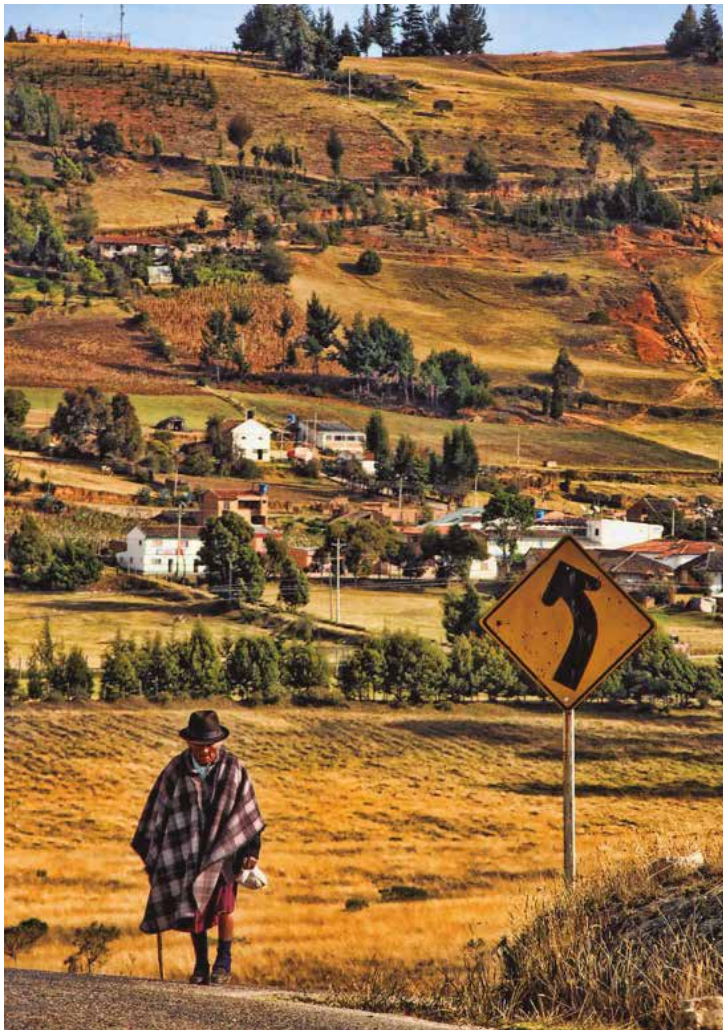


Photo: Gustavo Martínez - Chivata (Colombia).

This notwithstanding, for sub-national governments MLG is an instrument to push for their goals and expectations, to claim more autonomy and competences for the effective functioning and effective delivery of public policy outcomes. In this regard, MLG should complement, rather than be an alternative to, better, more autonomous and ambitious self-government for regional and local authorities. MLG should help create spaces for dialogue and cooperation, while fostering recognition of the policy agenda of sub-national governments.

MLG can create new arenas (e.g. new cooperation frameworks ranging from the local to the international level), new policy areas (e.g. innovation, job creation, sustainability policies), and new institutional voices (e.g. cross-level agencies, representation of civil society, or rural-urban activism). These can make conventional decentralizing and devolutionary agendas evolve towards a new model in which regions and local governments are self-reliant, interdependent and co-responsible for decisions that directly affect their communities and territories.

New global challenges call for a new global response, adapted to the needs of the population and the means and political will of intermediary and local governments. These challenges include urbanization, a competitive and unequal global economy, the threat of climate change, sustainable development, and the dwindling legitimacy of national governments and traditional politics.

Horizontally integrated local governments can pool resources, legitimacy and expertise to achieve a critical mass whose relevance was hardly imaginable a few decades ago. Vertically integrated local governments, when able to connect with the supranational level, have unprecedented access to the new, converging global agendas that will guide the international community in years to come. They can voice the needs and expectations of territories and populations and ensure that they are no longer left behind or neglected by current agendas.

Building on practices and examples already spreading across the globe, MLG can help local governments gain access to powerful national and international policy-making fora and make their agendas heard, so as to shape a new model of governance, one that is ready to take up the global challenges of the future.

3.

REGIONS AS ENGINES OF TERRITORIAL DEVELOPMENT

As mentioned in the introduction to this chapter, the balanced and sustainable development of regions and territories can only come from a flow of people, goods, services, resources, the mobilization of technology and the sharing of information. Development strategies, supported by central government, regions and municipalities, should guide and foster these processes. With this in mind, new concepts such as a 'territorial approach to development' (TAD) or 'integrated strategies' are discussed in detail in this section, in order to shed light on the economic dynamics, social ties and environmental synergies that co-exist in complex territories.

The potential for development can only be fully realized by involving actors across the whole territorial spectrum.[55] In their role as an intermediary between national and local level governments, regions have a vested interest in leading and coordinating territorial development strategies more efficiently.

Their potential, however, cannot be limited to economic growth. Unless the complexities of development and its effects are understood, growth opportunities for territories can easily be lost. Policy-makers in regions and territories need to develop comprehensive strategies and visions that can harness this potential and translate it, not only into meaningful economic growth, but also into more sustainable and inclusive social and environmental development.

The previous section advocated an adequate legal and institutional framework for territories, i.e. an enabling environment that facilitates collaborative multilevel, multi-stakeholder governance. This section analyzes the effectiveness of such a framework (consistent with TAD) for more balanced, inclusive and sustainable socio-economic development. As such, it looks in detail at the role played by regional governments in planning, economic development and environmental protection.

3.1 TERRITORIAL APPROACH TO DEVELOPMENT

While generally affected by national and global economic trends, territorial imbalances build upon historically or geographically determined differences in the natural, human, social and institutional endowment of each locality.

Over the past few decades, the impact of traditional top-down policies on 'balanced' spatial development, has increasingly been called into question. **The unevenness of economic development, and its spatial consequences – e.g. the concentration of wealth and people in certain territories and not others – was historically considered an inevitable by-product of growth**. This was thought to be a temporary condition that would gradually be addressed by national development efforts.[56]

More recently, however, an opposing school of thought has gained ground. This has identified the negative effects of social and spatial inequalities associated with uneven development. It also has shown the widening

The potential for development can only be fully realized by involving the whole territorial spectrum

BOX 3.1 DEFINING THE 'TERRITORIAL APPROACH TO DEVELOPMENT' (TAD)

The concept of a 'territorial approach to development' (TAD) is defined in a number of ways. One way refers to TAD as:

'A national policy that promotes endogenous [leverage of place specific resources and the mobilization of a wide range of local actors], integrated [coordinating sectoral policies through a local spatial development framework], multi-scalar [requiring interactions of multiple tiers of governance and administration] and incremental [supplementing national development efforts] local development by empowering autonomous and accountable local authorities'.[58]

A similar definition states that a territorial development policy – synonymous with a 'place-based development policy' – is:

'A long-term development strategy whose objective is to reduce persistent inefficiency (underutilisation of full potential) and inequality (share of people below a given standard of wellbeing and/or extent of interpersonal disparities) in specific places; through the production of bundles of integrated, placed tailored public goods and services, designed and implemented by eliciting and aggregating local preference and knowledge through participatory political institutions, and by establishing linkages with other places; and promoted from outside the place by a system of multilevel governance (...)'.[59]

The European Commission has worked intensively on the formalization of the Territorial Approach to Local Development (TALD) as an institutional concept.[60] The Commission's work is particularly inspiring in the extent to which it analyzes examples and features of territorial approaches in different socio-political contexts and draws several conclusions regarding the common features these appear to share:[61] i) systematic assistance to bottom-up projects as part of a clear, recognized and legitimate political process; ii) coalitions between local governments and those actors in the affected communities with shared objectives and goals; iii) incentives for non-conventional participatory tools; iv) a focus on inclusion, growth and development for the whole of the territory; and finally v) an understanding that territorial development depends on the ability of bottom-up actions to positively impact and affect national policies and initiatives.

social disparities threaten growth prospects, while political instability undermines the potential for sustainable development in both developed and developing economies.[57] Accordingly, Agenda 2030 encompasses the need to 'reduce inequality within and among countries' (Goal 10 of the SDGs).

This different viewpoint has sparked debate on how best to boost territorial development, sustain socio-economic growth and innovation, and at the same time take advantage of the transformations of the global economy. These include outward-oriented economies, integrated value-chains and reliance on new technologies. **Centrally-driven, top-down approaches to economic growth are increasingly being questioned in favour of territorially-oriented, place-based strategies that integrate the needs and priorities of local actors**. These strategies build on local strengths and opportunities to drive economically and socially sustainable growth and change.

Against this backdrop, the concept of a 'territorial approach to development' (TAD) has gradually gained ground. Box 3.1 introduces different definitions of TAD as a policy framework comprising national and local development strategies.

At its core, TAD is an approach where actions and interventions to foster social and economic development are tailored to the contextual conditions and characteristics of the region or territory that implements them. Thus it aims to maximize the specific advantages and potentialities of a given territory. However, definitions may vary depending on the resources and weight given by stakeholders and policy-makers to certain characteristics and policies.

In any event, TADs are more likely to take place within decentralized governance systems with empowered local and regional governments. These are essential to harnessing the potential of local development and fostering a country's economic growth and social cohesion. At the same time, TADs provide the 'missing link' between decentralization-oriented reforms and development policies. If systematically applied, TADs could spur a paradigm shift in development policy that would acknowledge and legitimize sub-national authorities and their ability to devise and implement territorially-driven development.

Decentralization and regionalization have facilitated the implementation of TADs across the whole complex territorial spectrum. Inevitably, however, their potential largely depends on the form of state, its level of decentralization and the degree of empowerment of its sub-national authorities. In this regard, the previous section has already shown the great diversity characterizing sub-national governments and their location in each country's distribution of power and legitimacy.

Sub-national territories and regional governments in more developed countries with stronger federalist traditions are

generally best equipped to reap the benefits of autonomy and decentralization and devolution processes. These include German *Länder*, Canadian provinces and the federated states of the United States. On the other hand, smaller, under-capacitated and financially constrained territories – especially geographically isolated ones – are the least likely to take advantage of the economic and social returns of decentralization. This latter group tends as a rule to need more attention and action by policy-makers and stakeholders.

Supportive national policies need to take into account coordinated local and national development schemes based on **coherent regional planning and development strategies** that build on a territory's assets and potential to fully realize TAD. They should focus on adequate, localized economic development initiatives, whose funds support investments in local development and build on effective environmental policies to ensure the protection and sustainability of natural life-support systems. These three dimensions are at the core of the analysis of the following sub-sections.

3.2 NATIONAL AND REGIONAL PLANNING FOR REGIONAL AND LOCAL DEVELOPMENT

National development policies and regional spatial planning[62] are undergoing a major transformation. Not only have they had to adapt to the growing relevance of regions, but also to respond to the pressures of the global economy, and integrate into reformed national institutional frameworks.

Regional policies are given different priority in different countries. A recent OECD study highlights how many developed countries (albeit not all of them) have implemented regional policies in pursuit of equality goals such as territorial balance. Many have begun to systematically link competitiveness and regional growth as mutually reinforcing. At the same time, they have integrated these facets with key principles of environmental sustainability, governance and subsidiarity, regionalism and decentralization. Finally, **many national governments have started to regard spatial planning priorities as a substantial component of their regional development policies**.[63]

In light of the unsatisfactory nature of past policies and the institutional changes of the last two decades, it has been necessary to revise regional strategies and frameworks. Older regional top-down policies generally concentrated decision-making power at the central level. Most focused on those regions that economically lagged behind, and favoured 'compensatory' approaches to reduce the impact of macroeconomic policies. On the other hand, policies that have emerged since the end of the last century have tended to be more place-based and centre on the key concepts of 'regional endogenous development' and competitiveness. These are inclined to address and bolster the emergence of proactive and dynamic regional actors, able to mobilize local assets and tap unexploited local potential.[65]

More recently, in the aftermath of the 2008 crisis and under conditions of budgetary constraint, many sub-national governments began to reassess the effectiveness of such policies. While not in all contexts, most competitiveness-oriented policies gave more attention either to dynamic and promising economic sectors or specific areas (e.g. SEZs, emerging clusters, urban agglomerations and competitiveness poles). This failed to promote a balanced regional and cohesive approach. Since economic downturns aggravate social exclusion and inequalities between and within territories, regional governments were under pressure to come up with more balanced and equitable policy alternatives.

In non-OECD countries, regional policies and planning have not followed the same path. Planning has undergone a certain revival, after falling out of favour during the 1980s and early 1990s. Current planning priorities have built on a growing intention to access global markets and a need for wiser, sustainable resource management.

As a result, most policies have designed measures that target dynamic economic areas and create SEZs, free-trade areas and economic corridors. A few countries have also experimented with new policy approaches, in order to deal with differences in and between regions.[66]

These contexts highlight how difficult it can be to promote a more balanced regional development. As often referred to throughout this report, institutional, socio-political, economic and historical variables tend to polarize the political discussion and lean the

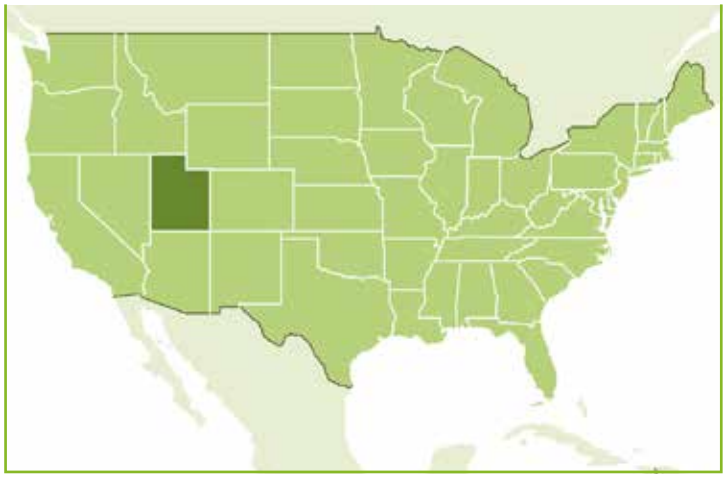
Since economic downturns aggravate social exclusion and inequalities between and within territories, regional governments were under pressure to come up with more balanced and equitable policy alternatives

scales inevitably towards either a fully top-down of a fully bottom-up model. In this regard, Territorial Approaches to Local Development (TALDs) play a primary role in facilitating a dual process – from national to local and vice versa – that can recalibrate development policies and support a co-owned, more accountable revision of territorial strategic planning. The ambition of TALDs is to create room for more bottom-up initiatives so as to stimulate local initiatives and higher institutional creativity, all the while improving the synchronization and consistency between national and local initiatives and policies. TALDs, ultimately, can help strengthen compromise, participation and collaboration in spite of such structural diversity among territories.

The following section, accordingly, analyzes a small sample of countries – federal and unitary, developing and developed – to illustrate national and regional policies based on different level planning strategies, and highlights their different and specific roles in regional development.

BOX 3.2 REGIONAL PLANNING IN UTAH, UNITED STATES[69]

Utah has over 3 million inhabitants, expected to rise to 5.4 million in 2050. Its capital, Salt Lake City, is a dynamic middle-sized city (186,000 inhabitants) within a larger metropolitan area (with a total metro population of 1.15 million residents). The state is a centre of transportation, education, IT and research, government services, mining, and a major tourist destination. The state-level government is developing state-wide plans through 'Envision Utah: your Utah, your future', a strategy for the year 2050 aimed at making communities a combination of: safe, secure and resilient; prosperous; neighbourly, fair and caring; and healthy, beautiful and clean. The programme wants Utah to become more economically robust by means of diversification; additional connections to economies around the country and the world; improved resilience to natural disasters; and an increased reliance on local energy and food. The plan rests on four cornerstones: i) a network of quality communities (more compact housing, mixed use and accessible centres); ii) homes, building, landscaping, and cars of the future (more energy-efficient and disaster-resilient); iii) a thriving rural Utah (diverse rural economy, touristic facilities, energy development and mining, watershed management, fast internet connections); and iv) people prepared for the future.



3.2.1 National development strategies and regional planning in federal countries

In countries with a strong federal system, such as the United States, Germany, Brazil or India, regional development and planning policies are normally a prerogative of federated states (e.g. *Länder*). This is within a complex framework of vertical collaboration with the central federal government. The vision and culture that shape regional planning strategies, however, can be profoundly different in each country. For example, the concepts of 'regional planning', 'territorial cohesion' and 'balanced development', enshrined in European approaches, differ quite considerably from the planning tradition of the United States.[66]

There, a comprehensive regional planning vision is all but absent. The heterogeneity of local and state-level regulatory regimes and continued cultural differences make holistic approaches all the more difficult. Traditionally, planning has evolved along sectoral lines, with a strong bias towards economic development, even though challenges to this *status quo* have been growing significantly.[67]

The experiences of the United States and Germany

In the United States, federal interventions in regional policies are generally limited to indirect instruments. However, during the Obama administration, different federal programmes embarked on economic and social development initiatives with a more territorialized focus.[68] At the state level, planning is often sporadic and fragmented. However, in federated states it has become more comprehensive and commonplace in recent years, partly as a response to diffuse economic downturns and environmental concerns. **Some states are developing**

strategic plans that focus on economic development, education, and social and environmental policies, and strongly rely on collaboration with regional development agencies and alliances with the business sector and local institutions (see Box 3.2). The financial crisis has, however, hindered this process, and many states have seen their capabilities decrease significantly – California, the United States' most populous and productive state, for example, neared bankruptcy.[70]

In Germany, meanwhile, planning is more integrated between different levels of government, and more consensus-driven, consistent with a model of 'collaborative federalism'.[71] The responsibility for regional development is devolved to sub-national governments, while land-use planning is managed at the municipal level. The federal government establishes the overall guidelines for regional policies, in close cooperation with the *Länder* and other local governments. It does so through the Standing Conference of Federal and State Ministers responsible for Spatial Planning. This acts in accordance with the overarching objectives and principles defined in national legislation.[72] Plans and their implementation are co-financed by national and sub-national governments (and, in certain cases, by EU structural funds). However, there is no overall binding spatial development plan for the whole of Germany.

In the past decade, following efforts to reduce inter-regional differences – especially between East and West Germany after reunification – three concepts shaped the framework for sustainable development: growth and innovation; securing services of public interest; and conservation of resources and creation of cultural landscapes. As regards 'growth and innovation', the main objectives were: i) strengthening the competitiveness of regions, including metropolitan areas, dynamic corridors, innovating smaller agglomerations and other promising regions; ii) stabilizing structurally weak regions (rural areas, small and medium-sized cities, peripheral settlements, and declining post-industrial centres); iii) bundling and linking strengths, e.g. by improving traffic and transport links and supporting a knowledge-based society; and iv) recognizing joint responsibility and bolstering solidarity, e.g. through regional cooperative structures and civic participation. With regard to the conservation of resources, many *Länder* have developed alternative energy sources. Baden-Wurttemberg has implemented regional programmes for energy saving, renewable energy and the mitigation of climate change effects (see Box 3.3).

In Germany and in the rest of Europe, EU policies have had a huge influence on regional planning, especially through cohesion policies, spatial planning orientations and their co-financing mechanisms (e.g. the European Spatial Development Perspective and the Territorial Agenda of the EU). In the past few years, **regional policy has evolved in line with the paradigmatic shift towards more competiveness and innovation**, while continuing to support the newly-accessed countries; help those regions lagging

BOX 3.3 MULTI-GOVERNANCE TO STEER ENERGY REFORM IN GERMANY

The current German national government strategy has a strong focus on climate change. A substantial part of it deals with energy transition from nuclear and carbon-based to renewable sources. The reform draws from a large national budget, but is considered a joint task across all levels of government. The measures contained in the national action plan on energy efficiency and the climate mitigation pack aim to cut emissions by 5.5 million tCO_2 by 2020. A EUR 2.9 billion fund for 2017 has been set up to fund research, energy-efficient housing and electric grid mobility.[73]

This plan is relatively recent (it has been in place since 2011) and its objectives are ambitious. *Länder* and the municipalities, therefore, are considered key actors. Coordination between national and *Land* governments is ensured by high-level semi-annual reviews by the Ministry of Economic Development and Energy and the Chancellor herself. Many *Länder* are making energy a top strategic priority. Baden-Württemberg has devised a strategy for climate protection and energy supply up to the year 2050 which aims at a 50% reduction in energy consumption, an 80% quota for renewable energy sources and a 90% reduction in GHG emissions. The reforms include the establishment of a policy framework to guarantee security of supply, stable pricing, open dialogue among stakeholders, and a healthy environment. Baden-Württemberg is the second German *Land* to implement a climate protection law.[74]

behind to catch up; and reduce economic, social and territorial disparities across Europe (see Box 3.4). Since the 2000s, under the rules of the EU's Cohesion Policy, each country is now required to develop a National Strategic Reference Framework for regional policies, while regional authorities establish regional development programmes.

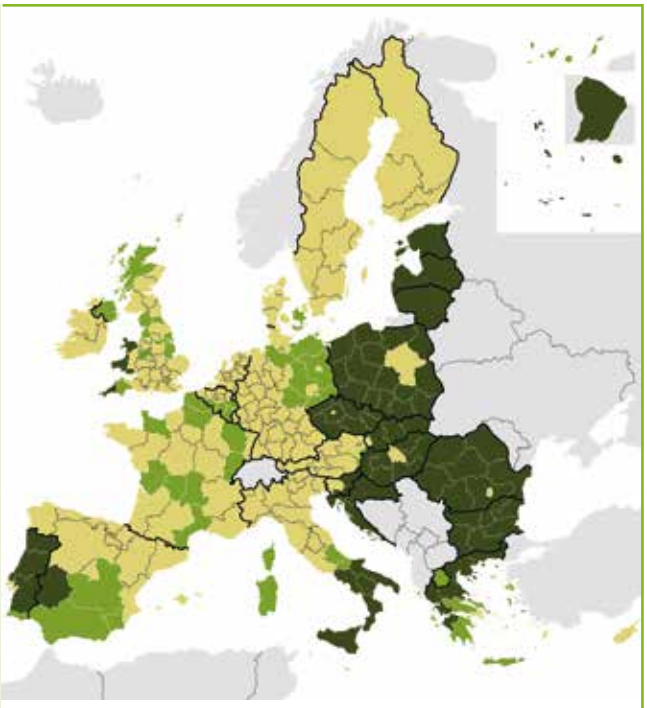
Towards a 'cooperative federalism': the cases of Brazil and India

Brazil and India have in the past few years made a significant move, compared with other states, towards a 'cooperative federalism' which aims to strengthen the role of federated states in growth and development.

With its geographical spread and regional heterogeneity (26 states and 5,570 municipalities), Brazil demonstrates considerable multi-dimensional governance fragmentation, a number of public agencies (at both the national and regional levels), and complex coordination schemes between different levels of government and sectoral policies. It also has a buoyant civil society, pushing for enhanced participation of citizens. Its federal government plays a dominant role in regional planning. In 2003, the new government put both social inclusion and endogenous development at the centre of its regional policies (*Plano Nacional de Desenvolvimento Regional*). This shift gave a impetus to regional development to boost the internal market; and ensure universal access to public services and social inclusion. At the same time, it preserved regional competitiveness, export levels and investments in R&D – while ensuring compatibility with environmental considerations. Since 2011, the central government has initiated a new phase for regional development policies and has asked states to be more proactive in their leadership and adapt regional policies to their own priorities. Interestingly, despite limited support in the federal budget, many states have consequently redoubled their efforts and adopted innovative instruments for

BOX 3.4 EU STRUCTURAL AND INVESTMENT FUNDS[75]

The European Structural and Investment Fund (ESIF), with a budget of EUR 454 billion for the 2014-2020 period, is the EU's main investment policy tool. Three ESIF instruments target territorial economic and social cohesion specifically: the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF). Out of the total ESIF budget, more than EUR 350 billion has been allotted to regional policy, with the aim of reducing disparities between regions across the EU, and supporting job creation, business competitiveness, economic growth and the development of a sustainable environment, while improving the quality of life of citizens in all regions and cities of the EU. Regions – statistically considered at the EU's NUTS2 level – are divided into less developed (with a regional GDP per capita below 75% of the EU average), transition (between 75% and 90%), and more developed (over or equal to 90% of the EU average). More than half of these funds are dedicated to less developed regions.



Structural Funds (ERDF and ESF) eligibility 2014-2020

- Less developed regions (GDP/head< 75% of EU-27 average)
- Transition regions (GDP/head between 75% and 90% of EU-27 average)
- More developed regions (GDP/head>= 90% of EU-27 average)

BOX 3.5 THE STATE OF BAHIA: AN INNOVATIVE APPROACH TO PARTICIPATIVE REGIONAL PLANNING[77]

Bahia is a north-eastern federated state of Brazil, with a population of 15 million inhabitants, 73% of whom live in urban areas (2014). The capital city is Salvador (2.9 million inhabitants; 3.9 million in the whole metro area). Bahia represents 4.9% of the economic activity of Brazil.

Since the 2004-2007 term, Bahia's state government has initiated a regional participative planning process to develop the long-term Strategic Plan of Bahia (*Plano Estratégico Bahia 2020 – O Futuro a Gente Faz*), together with specific multi-annual strategic plans (*Planos Plurianuais* – PPAs) every four years. Twelve years on, the government has invested in citizen participation and the involvement of all territories within the state. It has promoted:

- micro-planning zones in rural areas (27 so-called 'Territories of Identities' or Tis);
- 'Territorial dialogues' for citizen participation;
- a 'Council for sustainable territorial development' (Codeter) and Working Territorial Groups (GTTs) for the co-management of public policies;
- 'Economic-ecologic zones' (ZEEs) for the integrated social, economic and environmental management of the various Tis;
- a PPAnet for internet accessibility; and
- an Integrated System for Planning, Budgeting and Financing (Fiplan) to facilitate access to information and monitoring.

The Codeter participates in the elaboration of sub-regional Territorial Plans for Rural Sustainable Development (*Planos Territoriais de Desenvolvimento Rural Sustentável*, PTDRS), represented at the regional level in the Follow-up Committee of the Multi-Annual Plan (CAPPA). Implementation of these measures is ensured through new forms of partnership between federal and regional governments, municipalities and communities (e.g. *Consórcio público* based on national legislation). The PPA 2016-2019 was the result of over 2,000 consultations in one year (48% of the 1,080 proposals were eventually integrated in the PPA). Its main goals include social inclusion and participation; environmental sustainability; the rights of citizens; equitable development; job creation; and democratic, accountable and efficient management. The Plan is divided into 14 strategic areas. Eighty-two percent of the Plan's budget is reserved for social inclusion, 16% for economic development, and 2% for management.

participative regional planning, modernized public agencies (e.g. this aspect was central for metropolitan areas in a recent law on the new 'Metropolitan statute'), and developed new modalities of 'partnership' between states, municipalities and communities (see Box 3.5 on the state of Bahia). However, the future of these policies depends upon the outcome of the economic and political crisis currently being experienced by the country as a whole. Although Brazil has made impressive strides in reducing poverty and inequalities between states, structural imbalances persist since growth is concentrated predominantly around the country's 27 major metropolitan areas and main economic corridors.[76]

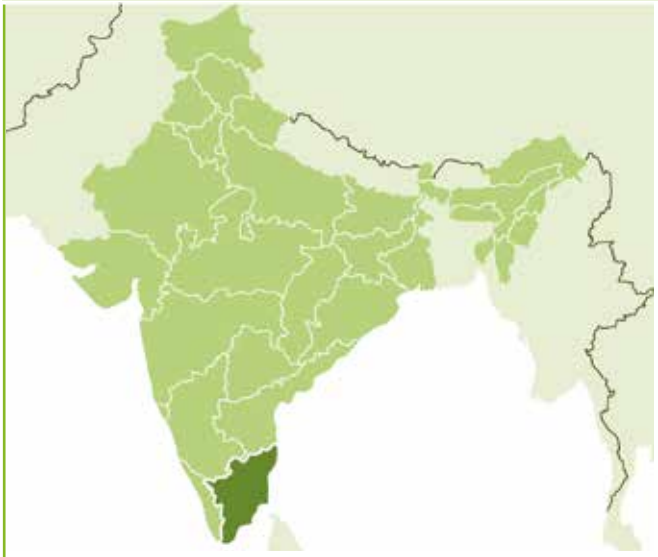
The size, diversity and structural inequalities of India are much more complex than those of Brazil. India is a federal country of over 1.3 billion inhabitants, comprising 29 states with around 400 million people living in over 8,000 urban areas. The rest of the population, on the other hand, live in more than 600,000 villages. The federal and state governments share an intergovernmental fiscal framework and several overlapping legislative jurisdictions for socio-economic and spatial planning. The result is a multi-tiered national and regional planning system. This is

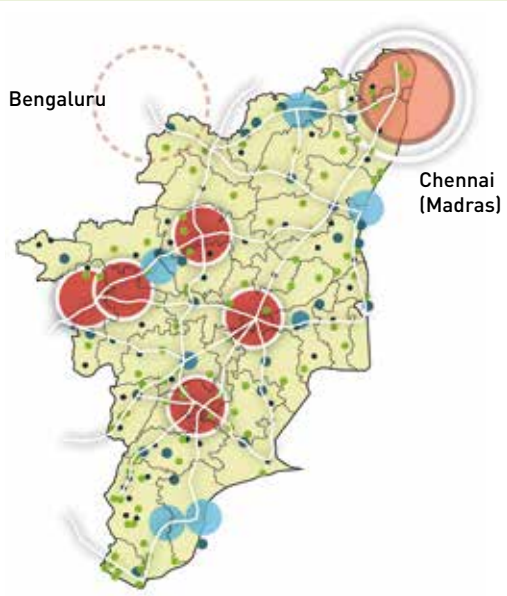
BOX 3.6 TAMIL NADU'S 'VISION 2023'

Tamil Nadu is a southern federated state of India, with a population of 77 million people. In 2011, 49% of its inhabitants lived in urban areas. Its capital is the city of Chennai (8 million inhabitants). Tamil Nadu is the second largest economy in India, With an annual growth rate of 14.8% in 2014-2015, it is the second largest economy in India and is considered one of the country's best-performing states; its GDP per capita was 30% higher than the country's average in 2013.

The aim of the 'Vision for Tamil Nadu for 2023', released in 2011, is 'to become India's most prosperous and progressive state free from poverty', with access to basic services for all and a harmonious relationship with the environment. The plan aims to reach a per capita GDP of USD 10,000 per year by 2023 – which would imply a six-fold increase on current figures – to become an upper middle-class state with high development standards.[79]

'Vision 2023' has ten major expected outcomes: economic prosperity; inclusive growth; health for all; world-class infrastructure; a healthy investment climate; knowledge hubs and innovation promotion; peace and security; a thriving cultural heritage and the preservation of the state's ecology; the protection against vulnerabilities; and improved quality of institutions and governance. The state has also developed a Five-Year Plan and several annual plans; the twelfth Five-Year Plan (2012-2017) was formulated with the objectives of the 'Vision 2023' in sight.





complemented by a constitutionally mandated third tier of local government - *panchayats* - in rural areas, and urban local bodies (ULBs) that oversee urban and land-use planning and public service delivery.

From 1950 to 2014, the federal government in India dominated how national policies and development goals were defined through its Five-Year Plans. These guided, monitored and funded development programmes that were then implemented at state and local level. State governments undertook and financed regional and local development activities through their own state plans and via local district plans that targeted mostly rural areas. Most urban programmes were financed and administered by state governments, while ULBs were generally in charge of implementation.

In January 2015, the prime minister replaced the 60-year-old Planning Commission and the twelfth Five-Year Plan with a new National Institution for Transforming India (NITI). This was based on a new vision of 'cooperative and competitive federalism', with the objective to: 'restructure the planning process into a more bottom-up model, empowering states and guiding them to further empower local governments' (see also Box 3.6).[78]

3.2.2 National development strategies and regional planning in unitary countries

Unitary countries have more centralized traditions in regional planning and a more asymmetric distribution of responsibilities and resources between national and sub-national governments than federal countries. As previously mentioned, the main characteristic of regional planning in unitary countries is that – except for a small group of countries, e.g. in Northern Europe, Peru, Korea, and Indonesia – sub-national governments represent a much more limited part of the national public expenditure and budget (see Section 2.1.3).

Their asymmetry, moreover, is not limited to financial resources. In this regard, it becomes thus essential to distinguish between decentralized policies and the deconcentrated implementation of regional policies. In many unitary countries, deconcentrated representations of the central power are still integral to sectoral policies at the regional level, with limited involvement of decentralized sub-national governments. So while the regional plans and strategies of Norway and Sweden are good instances of how decentralized regions can operate, the Regional Agenda for Productive Development in Chile or the Regional Spatial Plan in Portugal are, on the other hand, examples of strategies in deconcentrated administrations.[80] It is not uncommon for central governments to delegate functions to sub-national governments using them merely as 'agents' and implementers of national policies with limited powers to adapt these initiatives to local contexts. Morocco's institutional organization was an example of this system, at least until its 'advanced regionalization reforms' in 2011.

The more decentralized a country, the more relevant the principle of subsidiarity and coordination between decentralized and deconcentrated institutions.

Different policies are being developed to promote a more collaborative approach between central and regional governments. In **France**, for example, State-Region Planning Contracts (*Contrats Plan Etat-Régions* - CPER) have been a flagship mechanism for public action in support of regional development. They seek to achieve equalization between regions through multi-annual negotiation frameworks. During the last three decades, France has in fact evolved from a centralized to a more partnership-driven approach. **Sub-national governments have been empowered to ensure territorial development and foster economic growth and social cohesion**.

The lack of a corresponding increase in decentralized financial resources, however, is a source of inherent tension. While the responsibilities of French regions have grown, their fiscal powers and regional budgets have stagnated. More than 40% of regional budgets still depend on central government transfers, and a significant part of the remaining 60% comes from shared tax revenue.[81]

A radical reform of territorial policies, embodied in the establishment in 2014 of the General Commissioner on Territorial Equality, merged several institutions and programmes, and was accompanied by a widespread transformation of the sub-national government landscape. Several regions were merged (from 22 to 13); new metropolitan areas were created; and inter-municipal cooperation was strengthened.

Unitary countries have more centralized traditions in regional planning and a more asymmetric distribution of responsibilities and resources between national and sub-national governments than federal countries

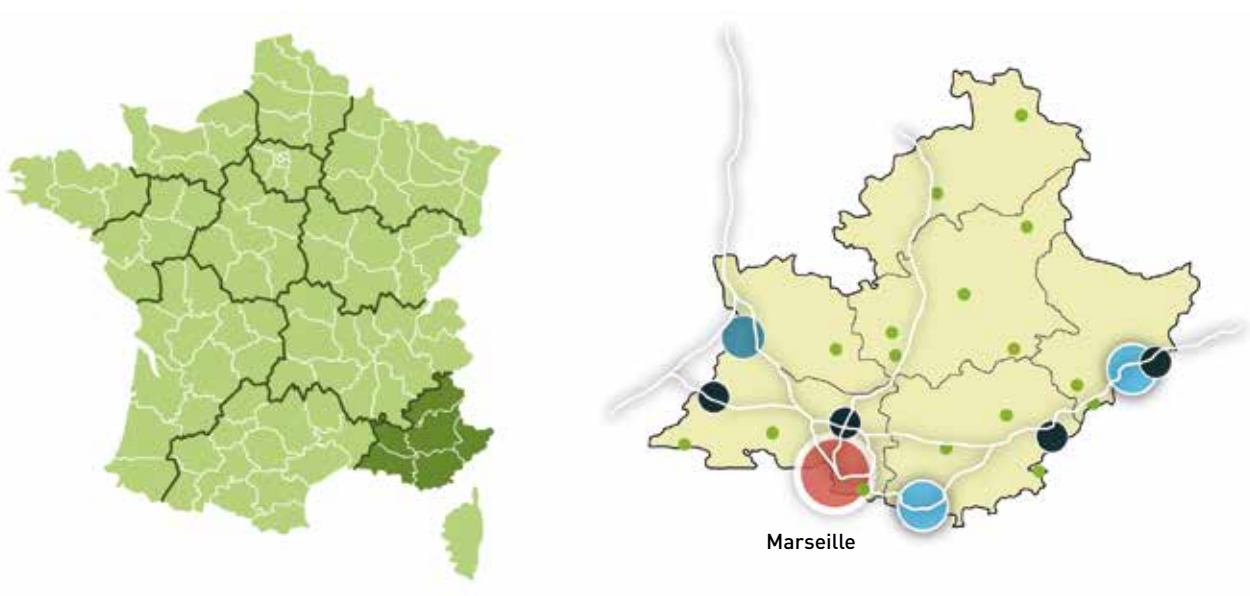
Photo: Apoorva Jinka - Brick factory (India).

The aim of this reform package was to boost the competitiveness, territorial sustainability and cohesion of French regions. At the same time, the new strategy enhanced contractual links between national and sub-national governments, i.e. CPER, *contrats de ville* with city governments, and *contrat pays* with rural areas, to pursue common goals and co-financing schemes.[82] The new law on territorial organization (the '*NOTRe*' law) entered into force in August 2015. This strengthened the economic development competences of regions, making it mandatory for each to adopt (before 31 December 2016) a new regional plan for 'economic development, innovation and internationalization' (*Schéma régional de développement économique, d'innovation et d'internationalisation* - SRDEII).

Simultaneously, local governments are required to develop a new regional master plan for sustainable development, land use and territorial equality (*Schéma régional d'aménagement, de développement durable et d'égalité des territoires*, SRADDET), which

BOX 3.7 AN EXAMPLE OF REGIONAL SPATIAL PLANNING AND DEVELOPMENT SCHEMES IN THE REGION OF PROVENCE-ALPES-CÔTE D'AZUR, FRANCE[83]

The French region of Provence-Alpes-Côte d'Azur (often referred to as 'PACA') adopted its Regional Spatial Planning and Development Plan in 2015, before the new 'NOTRe' law mandated regions to develop a SRADDET master plan by the end of 2016. The PACA's plan is therefore a good example of region-driven planning before the reform came into being. PACA has a population of 5 million inhabitants (making it the seventh largest region in France), 94.3% of whom live in urban areas. Its GDP per capita in 2013 was EUR 30,600 (the fifth wealthiest of France's regions). The regional council is in Marseille (855,000 inhabitants). The original plan (2013-2030) proposed four priorities: 1) more equality and solidarity between territories; 2) environmental and energy transition; 3) new alternatives for economic development; 4) openness to the world and the Mediterranean region. Each of these had several targets, including the reduction of social and spatial inequalities; a greener economy; sustainable land planning; innovation clusters; technology poles and parks; support to small and medium enterprises; and artisanship. All these actions were to be developed at different territorial levels, so as to integrate the various spaces (metropoles, towns, rural areas, mountains and coastal areas) and enrich the shared planning toolkit. The plan proposed the organizing, developing, promoting and sharing of the regional economic role of Marseille and its metropolitan area, involving intermediary cities and strengthening links between urban and rural areas.



BOX 3.8 THE STRATEGIC DEVELOPMENT PLAN OF ANTIOQUIA: 'THINKING BIG 2016-2019'[89]

Antioquia is a Colombian department located in the central north-western part of the country, with a population of 6.5 million inhabitants. It is the second most populated and sixth largest department in the country. In 2012, it had a GDP per capita of USD 13,900. Medellín is the departmental capital, with 2.5 million inhabitants.

'Thinking big' is a macro-strategy to enhance governance and development in the region, building on local capacities and assets to strengthen its competitiveness. The plan rests on seven strategic lines and 'trigger actions':

1. **Competitiveness and infrastructure**: entrepreneurial competitiveness, sciences, technology and innovation, ICTs, human capital and tourism, infrastructures, mining and PPPs;
2. A new rurality for **a better quality of life in the countryside**: rural planning and land use, access to services and infrastructures, socio-economic inclusion, rural productivity and competitiveness;
3. **Social equity and mobility**: health, elderly care, education, public services, housing, amenities and sport, citizen participation, employment, culture and heritage, the rights of women, children, minorities, and lesbian, gay, trans, bisexual and intersex (LGTBI) people;
4. **Environmental sustainability**: climate change mitigation and adaptation, water resources and environmental management, risk management, mining and environment;
5. **Security, justice and human rights**: support to victims of war, land restitution, civic co-existence and access to justice, public safety;
6. **Peace and post-conflict management**;
7. **Good governance**: strategic guidelines, institutional strengthening, ICTs management, quality of work and enhanced accountability.

replaces the previous regional development master plan (see Box 3.7).

Colombia is another unitary country with great regional diversity. After two and half decades of progressive decentralization (sub-national governments concentrate 38% of public revenue and 35% of public expenditure), it is trying to reform its national planning process by regionalizing both policy design and implementation.[84] However, the impetus of regional development strategies still comes primarily from the initiatives and funds of central government. The latest national development plan (NDP) for 2014-2018, '*Todos por un nuevo país*' ('Everybody for a new country'), introduces a new regional development approach. It sets objectives and targets for the countries' six macro-regions or Special Administrative Planning Regions and recognizes certain strategic functions for metropolitan areas,[85] in order to strengthen cooperative mechanisms.[86] The focus is on reduction of regional disparities and the plan is to be co-financed by national and sub-national budgets, as well as public-private partnerships (PPPs).[87] The NDP serves as a nationwide roadmap. With the support of central government, *Planes de Ordenamiento Territorial* (POTs) and *Planes de Ordenamiento Departamental* (PODs) *Modernos* – new land-use and departmental plans – will gather municipalities, departments and metropolitan areas together into a new form of planning. This will focus on the achievement of land-use goals and the harmonization of rural and urban strategic functions. Every department and municipality is also legally bound to elaborate its own development and land-use plan (see Box 3.8).[88]

In the past, **insufficient coordination and inconsistencies in their respective plans have hampered effective ownership and partnership between national and sub-national actors**. The Colombian

BOX 3.9 KWAZULU-NATAL: PROVINCIAL GOVERNMENT PRIORITIES[92]

KwaZulu-Natal (KZN) is a South African province with an estimated population of 10.9 million (South Africa's second most populous province). Forty-nine percent of this population still lives in rural areas, and its contribution to national GDP is estimated at 16% (2015). The capital is Pietermaritzburg, but its largest city is eThekwini-Durban, a metro area of 3.4 million inhabitants. The GDP per capita in 2013 was estimated at USD 3,100.

According to its Provincial Growth and Development Plan (PGDP) 'Vision 2030', adopted in August 2011, 'KZN will be a prosperous province with a healthy, secure and skilled population, acting as a gateway to Africa and the world'. The plan includes seven goals and 30 objectives, five-year targets and indicators to ensure monitoring and follow-up. The main goals are inclusive economic growth, human resource development, human and community development, strategic infrastructure, environmental sustainability, governance and policy, and spatial equity. According to economic indicators, from 2011 to 2015 GDP rate of growth was estimated at 30% (5% annually), employment growth at 5%, and absolute poverty fell from 25.7% to 17.9%.

Two key Strategic Infrastructure Projects financed by national budgets ('Unlocking the Northern Mineral Belt' and 'Durban – Free State – Gauteng Logistics and Industrial Corridor') have the potential to integrate the marginalized rural production centres currently isolated from the main logistic systems around the named corridors. National budgets also support other key strategic projects, Aerotropolis and the SEZ *Dube Trade Por*t.

KwaZulu-Natal's 2011 Provincial Growth and Development Strategy (KZN PGDS) is currently being updated. This process should produce a revised PGDP as an implementation framework for the whole strategy.

government recently issued two reports on this matter – on 'Systems of Cities' and 'Transformation in the rural areas'. One of their main findings is the persistent lack of coordination between urban, land planning and developmental strategies. The reports advocate regionalization of national policies, better coordination between different levels of government, and overcoming sectoral policy fragmentation. They emphasize the strategic value of better connected rural and urban areas, local economic development plans, and regional competitiveness. They build on the overarching principle that rural areas should be perceived not as providers of goods and services for cities, but as having an equal status of integration, planning and mutual benefits. Both documents call for the revision of financial transfer mechanisms – Colombia currently has equalization funds and a General System of Royalties – to overcome the mismatch between responsibilities and funding for local governments, granting them more flexibility to tailor expenditures to their local needs.[90]

South Africa has one of the African continent's more advanced decentralization processes. Sub-national governments are responsible for 22.1% of total public expenditures and 20.4% of revenues. As mentioned in the previous section, the constitution advocates 'co-operative government', whereby the various spheres of government must coordinate their actions and legislation.[91] Each provincial government should adopt a 'provincial growth and development strategy', aligned with national plans.

Since the emergence of the anti-apartheid governments in 1994, South Africa has developed a number of initiatives aimed at promoting coherent national planning, with a strong focus on the eradication of poverty, unemployment and inequalities. The government has attempted to link these objectives with economic growth and

infrastructure development. Over the last few years, national planning policy and directives have moved through balanced and unbalanced growth approaches, shifting from top-down rigid area-specific directives to ones that are bottom-up and adaptable, socially-oriented and interpretative.[93] The disconnect between national, provincial and municipal planning implementation and the weak impact of uncoordinated interventions have been persistent problems. In 2012, the National Development Plan 2030 was adopted to promote coordinated and focused actions to eradicate poverty and exclusion in South Africa.[94] One of its main objectives is to align the long-term plans of sub-national governments with the NDP. Its implementation is being supported by specific national programmes and initiatives (e.g. National Infrastructure Plans). These should guide and support local and provincial authorities in the translation of national goals into territorial development, while strengthening expertise at provincial and local municipal levels (see Box 3.9).

As shown in previous examples, development regionalization strategies are evolving globally, both in federal and unitary countries. In Europe, EU cohesion policies and financial support have been instrumental in supporting this trend throughout the region. While in federal countries the role of states/*Länder* in planning tends to be more established, in unitary countries the role of regions or provinces is more variable – from very active to politically passive – and their room for manoeuvre, especially financially, is often more constrained.

In summary, in countries with a strong federal tradition, the involvement of the federal state in regional planning ranges from very limited (United States) to regular interventions as a 'facilitator' (e.g. 'collaborative federalism' in Germany). Even federal countries with stronger federal-driven policy traditions, for the last few years have been developing an approach that relies more extensively on sub-national states (e.g. the 'cooperative federalism' of Brazil and India). In unitary countries, even those sometimes granted a certain degree of local autonomy, regions are generally more dependent on central government policies and financing. **The trend towards regionalization of development planning is advancing, but with tensions and drawbacks**. Nevertheless, regions are responsible for defining regional strategies aligned with national development plans. This notwithstanding, coordination remains a structural problem.

Previous examples analyze state and regional governments in both developed and developing countries of different sizes – ranging from 5 million to 77 million inhabitants. They show that state or regional strategic development plans have different scopes and timelines – from five to 20 years, or even 35 years in Utah. Most of them refer to quality of life and social dimensions, linking these to the region's overall economic development and competitiveness (e.g. the 'KwaZulu-Natal: a gateway for Africa' plan in South Africa). In most cases, key programmes and strategic infrastructures require full support or co-financing from federal or national governments. The case of the state of Bahia (Brazil) attracted particular attention because of their innovative approach using more bottom-up and participative planning at the regional level. Participative planning is likely to become one of the greatest future challenges in the implementation of Agenda 2030. National governments and the international community need to pay particular attention to this theme in the definition of a common global agenda. Some states and regions are beginning to integrate Agenda 2030 as a guiding reference in their development plans (Antioquia in Colombia, as seen above, but also Wales in the United Kingdom and Valencia in Spain, among others).[95]

In many other countries, however, inconsistent decentralization policies and weak MLG frameworks hamper the strengthening of regional governments' role as drivers of local development strategies. **Insufficient regional capacities limit the scope of regional planning and its ability to promote endogenous growth and harmonization** between regional and national plans and programmes. In many countries, sub-national authorities still do not have a long-term development strategy. For many, planning is a formal exercise that they go through without substantial effects, and this is undermining their ability to promote development. This phenomenon has been particularly challenging in regions lagging behind economically, where strategies to strengthen regional and local governments' capacities require an even bigger collaborative effort from both national governments and regional and local government organizations.

The evolution towards more tailored regional strategies, which take diversity into consideration and foster regional potential, is an important step in responding to the challenges and opportunities of

South Africa has developed a number of initiatives aimed at promoting coherent national planning, with a strong focus on the eradication of poverty, unemployment and inequalities

each territory's uniqueness. Persisting asymmetrical or hierarchical relationships between national and sub-national levels of government need to transition towards a more partnership-based approach for policy design, implementation and funding.

In this regard, financing and fiscal policies should be adjusted so as to respect the principle of subsidiarity, granting sub-national governments the flexibility they need to integrate local demands. At the same time, these policies should promote forms of harmonization (and thus avoid, for example, a 'tax war' between regions) and equalization in favour of regions that lag behind. Specific national funds should be deployed to support shared strategic projects aimed at boosting coordinated national and regional development. These strategies should also encourage cooperation between sub-national governments, between regions and cities and, horizontally, between neighbouring regions and municipalities to create more synergies (e.g. in urban and rural areas). In addition, shared mechanisms should ensure monitoring and evaluation to measure the effectiveness of policies and their impact. Regional and local administrations are better placed than central governments to collect first-hand detailed information on their territories - which should assure more flexible and efficient planning and follow-up.

Regional and local administrations are better placed than central governments to collect first-hand detailed information on their territories

To encourage endogenous growth in all regions, national development strategies should support regional dynamics while promoting more coordination between different levels of governance. In turn, regional and local governments should scale up their regional dynamics and make national development policies a catalyzer for growth across all territories.

In this respect, TALDs have initiated a global dialogue on tackling the persistent duality between the national and the local. Promoting a more holistic and comprehensive approach that sees national development policies as inevitably influenced, shaped or even 'co-created' by local and regional development schemes, TALDs evidence a change of paradigm in the way development policies are understood and designed. This approach promotes further convergence and resonance between territorial processes and national plans, acting as a gateway to an enhanced concept of of multilevel governance - i.e. shared responsibilities and more co-owned strategic planning and development policies.

Coordination between national and regional policies should strengthen interconnections and cooperation between territories, metropolitan areas and intermediary cities – and thus facilitate a balanced territorial development. This in turn maximizes socio-economic effects and diffuses the advantages of metropolitan growth and interaction between urban systems and rural areas throughout the whole territory.

3.3 REGIONAL ECONOMIC DEVELOPMENT AND ENDOGENOUS GROWTH

Regions are fundamentally important actors in territorial systems. They perform essential functions that contribute to economic growth at both the local and national level.[96] Their role in economic development has been growing over the last few decades. Nevertheless, the growth potential of many regions has often been limited by top-down strategies and policies predicated on the idea that the positive benefits of promoting economic dynamism in key urban areas and regions will eventually spill over into rural territories and less dynamic areas. Such policies have not viewed 'lagging' regions as potential assets and sources of growth, but rather as obstacles to national development. They have been supported mostly through fiscal subsidies that have tended to produce unsatisfactory results.

As the compensatory approach has proved inadequate, in recent years researchers and policy-makers have suggested that rather than limiting economic dynamism and the potential for economic growth to large, urban agglomerations and dynamic regions, 'opportunities for growth exist in all types of regions'[97] and that 'all [typologies of territories] have the potential to make substantial contributions to [national] economic growth'.[98] Indeed, according to the OECD, 'during the dozen years prior to the crisis, regions with average GDP per capita below 75% of the national average accounted for 43% of aggregate growth across the OECD'.[99] Policies aimed at promoting economic development in 'lagging' regions can in fact constitute a significant step towards a growth-oriented economic plan.

As a result of the devolution of responsibilities in territorial development, regional and local governments have increasingly turned to place-based, territorially-specific approaches for economic development to kick-start endogenous economic growth, dynamism and change – mindful of the underlying aim of enhancing the welfare of the individuals for which they are responsible.

It has been suggested that the prioritization of economic activities that reflect and rely on local strengths and resources, coupled with efforts to '[improve] the [local] productive context',[100] facilitates the embedding of those activities in the territories that host them. These goals, in turn, improve the resilience of the territory's economic dynamism to external competition and the volatility of the global economy, increasing the sustainability of the economic growth they stimulate.

It is also anticipated that the engagement of local actors in the formulation of territorially-specific economic development approaches facilitates the design of policies that more accurately reflect local interests and priorities. This has the effect of ensuring that growth elicited by localized approaches is accompanied – and indeed reinforced – by the creation of higher-quality employment opportunities. This, in turn, leads to a more equitable distribution of the benefits of economic growth. Territorially-specific economic development is by definition a participatory process that relies on the insights, perspectives and priorities of local economic actors and individuals. Only they can inform the design of policies that are sufficiently reflective of local realities. This inclusiveness serves to provide citizens with a significant degree of influence on the socio-economic development trajectory of the territories they live in.

The different areas where these place-based approaches have been implemented include – but are not limited to – agricultural development, industry, SMEs, knowledge development, innovation, technology, and cultural activities, some of which will be addressed below.

Examples of **new policies and instruments being developed to involve business and local actors in improving local synergies** include: incentivizing innovation and knowledge-sharing to modernize territorial economies and strengthen their competitive capacities; identifying real sources of development and helping territories to relaunch their economies, thereby increasing interactions between rural and urban environments; and improving access to infrastructure in areas where there is still deficiency, in particular in the field of transport and ICT (e.g. broadband access). New strategies include: involving the local business sector (including SMEs) in the call for projects; promoting business cooperation between firms to facilitate the creation of regional clusters (regional public incubators, science parks); the establishment of SEZs; training support and cooperation with professional schools and research centres (universities, private research, etc.); and strengthening links with national programmes.

The engagement of local actors in the formulation of territorially-specific economic development approaches facilitates the design of policies that more accurately reflect local interests and priorities

Photo: Guillaume Baviere - Viñales (Cuba).

3.3.1 Supporting enterprises, innovation and knowledge-based development

Regions are increasingly supporting enterprises, innovation and knowledge-based development through various approaches

As sources of growth and solutions for tackling social and environmental challenges, regions are increasingly supporting enterprises that promote innovation and knowledge-based development. As outlined in the previous section, economic development and competitiveness are becoming key priorities in most regional development strategies.

In Brazil, for example, there has been a progressive shift to a strategy of identifying local assets for endogenous growth, supported by regionalized or national agencies. For example, the Brazilian service of assistance to micro and small enterprises (*Serviço Brasileiro de Apoio às Micro e Pequenas Empresas* – SEBRAE) is an efficient instrument created at federal level to assist SMEs and stimulate local productive systems and production chains. In so doing, SEBRAE is cooperating with regional agencies, banks, industries and federated states' administrations in a number of areas, with technology, project financing, management, marketing and productivity support. SEBRAE offers a wide range of tailored services to enterprises and local governments, including training, consultancy and financial support, with the aim of supporting local actors and providing them with a business-friendly environment.[101]

In the Mexican state of Jalisco, authorities have developed and implemented a multifaceted territorially-oriented strategy that balances efforts to support local firms in low-technology, historically strong sectors with initiatives to promote inward investment and actions to address structural conditions to boost economic growth, employment and enterprise creation and entrepreneurship.[102] Similarly, the Polonnaruwa district in Sri Lanka focused on available indigenous 'assets' and adopted a place-based strategy that simultaneously tackled the provision of support for local firms and human capital development.[103] More recently in January 2015, the government of New South Wales (Australia) unveiled a multi-pronged, integrated regional economic development strategy to achieve five goals. These were: 'to promote key regional sectors and regional competitiveness; [...] to drive regional employment and regional business growth; [...] to invest in economic infrastructure and connectivity; [...] to maximize government efficiency and enhance regional governance; [... and] to improve information-sharing and the evidence base'.[104]

In the Spanish region of Galicia, sub-national authorities devised a regional

Photo: Christopher Bowns - Drillfield Tech Campus, Blacksburg, Virginia.

development approach to enhance economic performance, catalyzed by processes of devolution and the substantive transfer of powers to sub-national levels of governance that began towards the end of the 20th century. The approach focused on the attraction of extra-local investment; efforts to support and restructure local production (with a particular emphasis on local small and medium-sized firms), and the enhancement of local human capital.[105] A number of agencies were created solely for the purpose of devising, coordinating and executing the strategy. They did this through a range of actions and initiatives that included, or were based upon, the provision of various types of financial and fiscal incentives to local and extra-local actors; basic and advanced infrastructural upgrading; and investments in training, education and skills programmes. The outcomes of the strategy were mixed due, perhaps in part, to an over-emphasis on infrastructural development and an *ex ante* weak economic fabric.[106] That said, the fact that the Galician government was, firstly, able to capitalize on processes of devolution and, secondly, turned to regionalized approaches to development is revealing.

As part of the EU's research and innovation strategies for smart specialization (RIS3),[107] several regions in France – among them France's Pays de la Loire and Bretagne – are working towards the consolidation of an effective regional innovation system. This is partly a response to competition from other countries' lower labour costs. With the support of European and national funds that run until 2020, the Pays de la Loire region has been elaborating a strategy for smart specialization, *La stratégie régionale d'innovation* (SRI-SI) that focuses on research and technological development. Building on its comparative advantages, the region has identified six areas of specialization organized around three main axes. These are: i) strengthening the productive economy and promoting key industries; ii) working on key competences to build the models of tomorrow; and iii) promoting wellbeing and quality of life. Accordingly, it aims to position itself as a leader (at the European scale and in complementarity with other regions) in advanced production technologies, maritime industries, as well as food and bio-resources.

The Pays de la Loire region has also engaged in an inter-regional cooperation framework with the Bretagne region, based on geographic proximity as well as complementarities in terms of smart specialization. Acknowledging that stronger coordination between both regions will result in greater economic impact, they have agreed on a shared governance system for different areas of expertise.[108]

In a globalized world, regional specializations – often built over decades – are rapidly changing

BOX 3.10 COMPETITIVENESS POLES AND TECHNO-PARKS

Competitiveness pole in Wallonia region, Belgium

Since 2005, Belgium's Wallonia region has launched several competitiveness poles that have become the backbone of regional economic development policy. These follow the example of similar initiatives implemented in other countries and regions, and have been set up under the aegis of the European Commission's innovation and competitiveness policies. While other clusters in Wallonia are mainly aimed at businesses, competitiveness poles have a broader range of potential participants.

They focus primarily on the creation of a greater critical mass in the Walloon innovation system, linking the efforts of different actors in specific industrial sectors.

Since 2011, there have been six competitiveness poles in Wallonia: life sciences (Biowin), agro-industry (Walgralim), transport and logistics (Logistic in Wallonia), mechanical engineering (Mecatech), aeronautics and space industry (Skywin), and environmental technologies (GreenWin). This policy was initially developed using a top-down approach, where the priority sectors were identified through the analysis of regional potential and development prospects.[109]

Technology parks in Santa Catarina state, Brazil

The state of Santa Catarina in Brazil has made considerable investments to strengthen the knowledge base of its industry through the establishment of various techno-parks in three of its cities, including the capital.

Santa Catarina now has an organized network across the three cities combining technology parks, business incubators and business condominiums, as well as educational and research institutes. The objective is to improve the state's availability of high-level qualified professionals and align with the needs of companies that operate in the state. This is achieved through training programmes developed in the territory in partnership with major industrial sectors.

One of three parks in the city of Florianopolis created in the last 20 years, Tel Alfa is associated with the University of Santa Catarina and managed by the state's research foundation. Other relevant parks are in the intermediary cities of Joinville and Blumenau.

3.3.2 Clusters, competitiveness poles and special economic zones

As a complement to traditional instruments, different mechanisms in place today involve the participation of businesses, promoting incentives for investment and improving local synergies in order to generate growth. Examples of these include - among others – SEZs and competitiveness poles. Most of these initiatives are led by or require the support of national governments.

In a globalized world, regional specializations – often built up over decades - are changing rapidly. Policy-makers face uncertainty about the durability of the strengths on which regional economies are built and have increasingly relied on cluster strategies. These involve groups of firms and relevant economic actors and institutions fostering competitive advantage, thanks to their mutual proximity. Not only do clusters facilitate connections and enable lower production costs, they also encourage regions to build on their distinctive strengths rather than replicating other regions' successful policies. They take several forms, including technology corridors, high-tech regions around cities or smaller clusters that become local productive systems.

In China's Zhejiang province, a multifaceted strategy built on public-private cooperation led to the emergence of 53 clusters that together account for 80% of the province's total employment. This involved the promotion of inter-sectoral linkages, efforts to boost investment in R&D, knowledge generation and infrastructure development.

Other initiatives similar to the cluster model are organized around the association of centres of research and higher education with enterprises. These initiatives, that include for example technological parks and 'competitiveness poles', are consistent with industrial policy objectives to promote collaborative innovation. These activities are usually based on a commitment to partnership and joint development approaches. They aim to create synergies through cooperative innovation projects. Brazil has set up technological parks and local incubators to foster regional growth through R&D enterprises. In Europe, similar initiatives are being developed, in particular with the support of the EU (see Box 3.10). The proliferation of techno-parks, however, should not be considered a panacea. While some parks have been successful in addressing their territory's lack of innovative capacity or

limited private investments, these tend to be the exception rather than the rule.[110]

Across all continents, **Special Economic Zones** (SEZs) have also been increasingly relied upon as a policy tool to promote (regional) economic growth. While these are also quite heterogeneous (the concept includes Free Trade Zones (FTZs), Export Processing Zones (EPZs), hybrid EPZs, free port/SEZs etc.), they can broadly be defined as 'demarcated geographic areas contained within a country's national boundaries where the rules of business are different from those that prevail in the national territory'.[111] Such rules generally apply to taxation, international trade and investment, among others. They are usually intended to attract foreign investments, create employment, develop and diversify exports, or serve as laboratories to test new policies (e.g. legal, labour, pricing). These conditions mean that, in general, **SEZs have a top-down approach created by central governments, sometimes in partnership with regional governments**.

These instruments have been used to promote economic growth in many regions of the world, even though they are not without pitfalls (see Box 3.11). There are several well-known examples of successful SEZs, such as the 'miracle of Shenzhen'. But when ill-defined or mismanaged, they can result in 'lawless areas' – especially with regard to job conditions and environmental sustainability – and, in some cases, limited impact on a region's endogenous development.

3.3.3 Local economic development in rural areas

Territorial heterogeneity can mean increased vulnerability in the face of a changing global economy. Large urbanized and densely populated regions find it easier to cope with the pressures of globalization, while those that are predominantly rural or with more dispersed urban settlements experience more difficulty. The approaches to fostering economic growth and change must be fundamentally different for regions, small towns and rural municipalities compared to more urbanized areas. In the latter, industrial, higher value-added and, in some cases, knowledge-intensive activities are more abundant. Managing the unique co-dependent and symbiotic relationship between more rural and more urban areas and preserving crucial forward and backward rural-urban linkages is, therefore, extremely important. Furthermore, balancing agricultural activities and employment with non-agricultural activities and non-farm employment is essential for territories (see Box 3.12).[112]

In France, Brazil, Colombia and other countries, regional public policies have sought to promote cooperation between local farmers and firms in traditional sectors through local production systems (*systèmes productifs locaux* - SPLs). These can help foster agglomeration economies and open up external markets for local economic actors.

As a way to stimulate economic growth in its rural areas, the Antioquia Region (Colombia) established an Agro-Industrial Development Enterprise (*Empresa de Desarrollo Agro-Industrial de Antioquia - EDAA*). Its aims

BOX 3.11 SPECIAL ECONOMIC ZONES IN CHINA AND INDIA

Special Economic Zones (SEZs) generally require strong support from national governments in partnership with regional governments. They are usually located along a country's national borders or in a port or airport area, which often benefit from financial support and special tax conditions and infrastructures.[113]

Initially located in China's Guangdong and Fujian provinces at the end of the 1970s, SEZs have multiplied in the past 30 years, contributing significantly to regional and national economic growth. Indeed in some regions, they account for between 50% and 90% of growth in GDP. Evidence also suggests that they add to technological progress and innovation. While China's overall rates of technology commercialization are around 10%, rates in SEZs are over 60%.[114]

Meanwhile, India set up its first SEZ in the state of Gujarat in 1965, with a view to simplifying its operational trade regime and attracting larger foreign investments. Since then, many related policies have been adopted (e.g. a dedicated SEZ policy in 2000) and there are now hundreds of SEZs in dozens of different sectors across most Indian states. Under its Foreign Trade Policy 2015-2020,[115] India recognized 60 Agriculture Export Zones (AEZs) as a way to promote the country's agricultural exports. Within this framework, different states are identified as AEZs for different products – for example Assam for ginger; Rajasthan for cumin and coriander; West Bengal for pineapple, lychee and mango, etc.[116] This policy encourages a cluster approach, regionally integrating the agricultural process from the production stage until products reach market. It strengthens backward linkages with a market-oriented slant and lower production costs through economies of scale.

BOX 3.12 ECONOMIC REVITALIZATION IN PRINCE EDWARD COUNTY, CANADA

In Canada, efforts to revitalize Prince Edward County's stagnant, agriculturally-oriented economy took a territorial approach to development (TAD).

The objective was to 'leverage existing community attributes... and [align] local attributes and community strengths to meet the changing demands of the market'.[118] Stakeholder collaboration and cooperation were of paramount importance.

Five clearly delineated clusters were identified: creative/talent occupations; gastronomy; green business and services; healthcare and wellness; and creative industries.[119]

The success of the strategy was evident: 'the county is increasingly recognized for its thriving, innovative and creative rural economy... [and] today, high-value agriculture, manufacturing and value-added industries are a key element of the county's economic success'.[120]

include: concentrating resources and capacities; strengthening associations in rural areas (e.g. *federación de cafetaleros*); ensuring land/ground use safety; promoting access to goods and basic services; supporting small production and family farming (e.g. alliances between small producers to enhance access to markets); improving rural productivity; providing assistance in the production, processing and marketing of agricultural products, fishery, and forestry; and creating economies of scale and improving niche markets with higher added-value.[117]

In response to inequalities, high poverty rates, unemployment and food insecurity, South Africa's second largest province, KwaZulu-Natal (KZN), is implementing a five-year strategic plan (2015-2020). This is driven by an ambition to unleash the province's agricultural potential, ensure food security, as well as increase the contribution of agriculture to the territory's economy (see also Box 3.9). The KZN's Department of Agriculture and Rural Development is developing – among other measures – what it calls 'agri-villages', as pillars of a new agrarian transformation. These will foster agricultural growth and integrated development of sustainable rural enterprises within the province. The 'agri-village' concept builds on the desire to create strong, unified and self-sufficient agricultural communities through the development of a more concentrated settlement pattern to maintain a rural lifestyle, create secure land tenure, facilitate access to basic services and generate economies of scale.

Photo: Gary J. Wood - Farm, Prince Edward County (Canada).

Based on scientific research and technology development, these interventions are designed to nurture the agricultural economy, create employment, and ensure food security and sustainable rural livelihoods.[121]

Although the mining sector is significant for sub-national economies and regional governments in particular, the benefits are often not distributed evenly, and there has been increased demand for mining development that is inclusive. At the same time, concerns have been raised about a lack of regional linkages and compensation for the social and environmental costs endured by mining regions.

Several regions have implemented benefit-sharing instruments to ensure that at least some of the economic benefits of mining are retained within the territory. These include investment funds, equity and tax-sharing with governments, and royalties (see Box 3.13), among others.

The role of culture in regional economic development is as significant as it is multi-faceted. Beyond its intrinsic value, it has a real impact on regional economic development through job creation and increased attractiveness for visitors as well as residents.[122]

Recognizing an opportunity for regional economic growth, Peru's Cusco region launched its 2021 Cusco Strategic Development Plan (*Plan Estratégico de Desarrollo Regional Concertado, Cusco a 2021*). This was made possible by a progressive shift of spending authority to the sub-national level which was initiated in 2002.

The strategic plan aims to achieve sustainable regional growth and productivity largely oriented towards the tourism sector, with careful consideration given to the environment and disaster risk management.

Tapping into the comparative advantage of its considerable historic and cultural heritage, the regional government was willing to promote responsibly the development of touristic activities - through, for example, a commitment to managing and preserving the region's cultural, natural and archaeological patrimony in collaboration with the local population, government and private sector.

The significance of tourism for Cusco's economy cannot be over-estimated. It is Peru's first tourist destination and accounts for 88% of international visitors in a country that has experienced a steep rise in tourist arrivals (the number of international tourists is growing at 8.1% per annum, compared with 2.2% globally).

Between 2002 and 2012 the number of foreign visitors rose from 1.1 million to 2.8 million and tourism contributed 3.7% of national GDP, a level that is expected to reach 4.2% by 2021, with an estimated 5.1 million visitors annually.[123]

BOX 3.13 'ROYALTIES FOR REGIONS' PROGRAMME IN WESTERN AUSTRALIA

After rising tensions about the allocation of the economic benefits of mining, the government of Western Australia developed the 'Royalties for Regions' Programme.

The aim of the scheme is to ensure that local communities are given a fair share of the revenues generated by mining resources exports.

It also promotes long-term investments in infrastructures in the state's regions, with the exception of Perth. The programme is funded by an annual reinvestment of 25% of the royalties received from mining activities.

Most funds are reinvested in specific projects as a complement to, rather than a substitute for, existing funding provided by both state and central governments.[126]

3.3.4 Promoting a balanced regional growth

The considerable variation in the extent to which individuals and segments of society can benefit from processes of economic growth is well shown.[124] The most immediate consequence of this asymmetry is that economic growth in developed and developing countries, whether in urban or non-urban environments – regions, small towns and rural municipalities – is often accompanied by increases in both interpersonal and territorial inequality.

Hence, regions need to make concerted efforts and devise adequate policies to ensure that the benefits of economic growth are spread more evenly across society. A failure to do so can only serve to reinforce patterns of economic inequality and compromise the prospects for future economic growth.[125]

The economic performance of a given region depends upon a combination of factors, including demography, industrial mix, productivity, regional accessibility, physical

BOX 3.14 REACTIVATING THE ECONOMIC CYCLE IN RUSSELL COUNTY, UNITED STATES

Russell County in Virginia (United States) has a population of 30,000. Its traditional industrial structure based on coal-mining and agriculture meant a loss of 20% of jobs (according to data from 1993 to 2004), and a huge drop in real wages.

There was a need to quickly and flexibly reactivate the economic cycle; use the human resources available to the territory before people relocated to regions more attractive in terms of employability; and thus generate jobs.

A strategy implemented between 2005 and 2007 combined active re-skilling of the labour force with attracting inward investment to the sectors in which this training took place.

This led two corporations to invest and to the creation of a minimum of 350 jobs by the end of the process in 2007.[130]

and human capital, and innovation capacity. Ensuring economic growth is balanced across regions is difficult – mostly due to the unequal character of comparative advantages and disadvantages. But it is suggested that territorially-specific economic development approaches (such as those described in this section) may be the most suitable option for the pursuit of a more equitable and inclusive economic growth.[127]

Regional governments have been strong agents in the design and implementation of key environmental policy actions

Local economic development approaches amenable to equitable growth are understood to be a product of (i) their participatory, integrative nature and (ii) their implicit focus on the creation of employment. The inclusion of the views and priorities of local stakeholders in the strategic planning process ensures that policies are designed to reflect and address the realities and interests of society, and thus have a more meaningful impact on a greater social representation.

Moreover, territorial strategies prioritize the generation of new employment opportunities, which is central to many conceptualizations of equitable or inclusive economic growth (see Box 3.14).

In this respect, 'the capacity to benefit directly from economic activity is understood to be contingent upon capacity to participate in income-generating activities'.[128] That localized approaches can create new employment opportunities makes them a viable option for achieving growth that can be felt by all citizens of all regions, small towns and rural municipalities. The impact of a policy intervention on the development of a given area will depend upon effective coordination between different territories and levels of government, but also on the capacity of local stakeholders to situate the initiative within a broader policy framework that addresses human capital or business development.

3.4 THE ROLE OF REGIONAL GOVERNMENTS IN SUSTAINABLE ENVIRONMENTAL POLICIES[129]

The correlation between regional and sustainable development has become all the more apparent during the process of definition and negotiation for the UN 2030 Agenda for Sustainable Development. This has clearly shown the key role of regional governments in their territories and communities' sustainable development, as well as in the application of the new global agenda. Aside from their influence on economic development policies and the management of rural-urban interlinkages, regional governments have been strong agents in the design and implementation of key environmental policy actions. Some of these are addressed in this section.

Sub-national actions and interventions are generally more easily adapted to both the geographic (e.g. ranges, valleys, hydrography) and biological (e.g. diversity of habitats and systems) characteristics of a territory. Most climate change effects, however, take place at the supranational level. Their consequences, e.g. floods, droughts, overflow of waterways and pollution, among others, tend to affect more than just one locality, without necessarily having a national impact, especially in mid-sized or large countries.

In a number of cases, therefore, the regional scale has proved to be one of the most successful levels of intervention to protect and preserve the ecology of a territory. A task such as assessing

the damage caused by natural events (e.g. torrential rains) can be done far more effectively at the regional and municipal level. So dialogue with communities of producers whose harvest has been affected; or the inclusion of companies who wish to put in place preventive environmentally friendly measures, are actions that are implemented far more successfully and accessibly at the regional and local scale.

In the past few years, regions all over the world have designed and implemented plans and projects for environmental sustainability. In many cases, they have been responsible for the execution of laws and policies in sectors that are essential to this. Here, we address the relevance of the regional scale and review various initiatives that pertain to it. These are in the areas of climate change; education and awareness-raising; renewable energies; biodiversity preservation; water management and the protection of wetlands and coastal areas, forests and natural parks; sustainable agriculture; green technology; and food security.

3.4.1 Climate change

Data suggest that between 50% and 80% of climate change mitigation and adaptation policies are (or at least are expected to be) managed and implemented at the sub-national level.[131] Indeed, state and regional governments are on the front line when it comes to environmental sustainability. They should be seen as essential and legitimate actors, particularly in a field where concerted and integrated public policies are so critical. However, even though the 'territorialization' of public policies is often presented as being on the reform agenda, actual devolution of competences and financial resources is still limited and sectoral approaches are all too often the instrument of choice, at the expense of integrated territorial approaches.

Collaboration across different levels of public administration becomes even more relevant whenever regions and regional governments attempt (and manage) to exceed the goals and expectations defined or negotiated by their respective national governments. Regions such as Flanders (Belgium) or Bavaria (Germany) and federated states such as California (United States) are well-known in this regard. Similarly, regions are in a privileged position to coordinate and lead the actions of lower tiers of government. In the Spanish autonomous community of Euskadi (Basque Country), the regional government welcomed and put under its own aegis the sustainability-oriented actions initiated by a number of its municipalities. This step helped establish a tool to keep track of greenhouse gas (GHG) emissions at the local level.[132]

Given the importance of regional governments in sustainable development, it is essential that they have the capacity to meet the challenges and tasks that face them, for example rewarding or sanctioning those behaviours and choices that either hinder environmental sustainability or catalyze the effects of climate change (see Box 3.15).

BOX 3.15 THE QUEBEC/CALIFORNIA CARBON MARKET[133]

Cap and Trade (C&T) systems are efficient economic tools to incentivize the reduction of CO_2 emissions through a market-based approach. In 2014, using a mutually beneficial decentralized cooperation framework to develop a common approach to reducing GHG emissions and harmonize regulatory efforts, the province of Québec and the state of California linked their C&T systems. The Québec C&T, for example, covers large emitters from different sectors (electricity, industrial and, since 2015, fossil fuel distributors) with a threshold of 25,000 tCO_2 per annum. The revenues generated by annual auctions are reinvested in CO_2 emissions reduction initiatives.

The province of Ontario and Manitoba recently signed an agreement to join the Québec and California C&T market, currently the only carbon market being designed and implemented at the sub-national level. The province of Québec continues to collaborate with other Northern American governments to advocate for carbon pricing and expand the carbon market.

California has a long track record on environment policies. Since the 1970s, for example, it has regulated car pollution. An Energy Action Plan was elaborated in 2003 and revised several times; and in 2006, the state enacted the Global Warming Solutions Act to reduce GHG emissions. Other initiatives were also adopted to reduce energy consumption in public buildings and promote renewable energies (e.g. the California Development Programme, with USD 10 million distributed to 495 projects managed by 59 state agencies). Today, California is a leader in green economy activities aimed at energy consumption reduction, clean energies and depollution.[134]

Education and awareness-raising

Education, including formal and informal education, public awareness and training, is essential to empower people to grasp and address their sustainable development concerns and promote environmental and ethical awareness, values, skills and ways of thinking compatible with sustainable development. In fact a sub-target of SDG Goal 4.7 states: 'By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles'. Education is certainly one of the policy areas to have adapted policy toolkits and strategic plans to reflect environmental sustainability concerns (see Box 3.16). Many regions have identified education, citizenship awareness and participation – especially amongst youth – as key elements necessary for environmental sustainability, and have fostered action and commitment on disaster risk reduction and adaptation at the regional level.

The preservation of biodiversity is another important issue closely linked to environmental sustainability and the fight against climate change

Given the competences regional governments possess over territorial planning and management more generally, awareness-raising is not only targeted at schools and educational activities. Based on their proximity to citizens, it is common for regions to establish public campaigns and engage local communities in decision-making and the protection of the environment. A number of projects – in close collaboration with grassroots communities and NGOs – foster ecotourism and the respect for local sustainable traditions, creating green jobs and raising awareness of the need for conservation and environmental services.

Tourism is another area where it is essential to raise awareness of sustainable development, since this sector puts significant pressure on natural resources and the environment more generally. There is a need to adapt models of tourism development in order to move away from the purely economic to ones that balance economic development with the preservation of natural resources and biodiversity, as well as respect local culture and heritage. This is in line with target 8.9 of SDG 8: 'By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products'.

In the Korean province of Jeju, for example (population 632,823 in 2015), tourism has been growing rapidly over the last few years. The number of annual visitors rose from 6 million in 2005 to 13.2 million in 2015.[136] Although the regional government is dedicated to growing the island's economy, while preserving its natural environment and culture (e.g. investments in electric vehicles, solar and wind power), tourism regulation policies will be required to ensure the island's sustainability in the years to come – as is the case in many other regions.

BOX 3.16 AWARENESS-RAISING OF ENVIRONMENTAL SUSTAINABILITY, WESTERN PROVINCE, SRI LANKA[135]

Sri Lanka's Western Province implemented an awareness-raising project for schoolchildren about the value of environmental conservation and eco-biodiversity. The aims of the project were to promote knowledge, skills and creativity in relation to sustainable development and urban agriculture through discussions and practical scenarios. Children were taught a number of things, including urban agricultural methods; the importance of growing their own food and eating locally-grown produce; as well as the need for renewable energy sources and wildlife preservation. A total of 88 schools and nearly 45,000 students took part in the initiative.

Biodiversity preservation

The preservation of biodiversity is another important issue closely linked to environmental sustainability and the fight against climate change. In a comprehensive study of worldwide biodiversity loss,[137] scientists developed a measure of the intactness of biodiversity at a number of sites and found that it had fallen below the established 'safe limit' across 58.1% of the planet's land, mainly due to the destruction of natural habitats for farming purposes.

The Convention on Biological Diversity (CBD), through the decision outcomes of its COP summits, increasingly recognizes the role of local and sub-national governments in the protection of biological diversity. Particularly in the context of the Aichi Biodiversity Targets 2011 – 2020, the CBD has identified local and regional governments as crucial partners for the implementation of bespoke sub-national strategies and

monitoring of national processes, put forward at the tenth Conference of the Parties (COP 10) through decision X/22. This adopted a Plan of Action specifically supporting and coordinating efforts with sub-national governments, cities and other local authorities in achieving the Convention Strategic Plan (SP) and its Aichi Biodiversity Targets.

More recently in 2014 at COP 12 in South Korea, the Convention's members reiterated their interest in engaging at the sub-national level, with the adoption of nine decisions explicitly referring to the local and regional application of the Strategic Plan for Biodiversity. Decision XII/9 at COP 12 invited Parties to promote local and sub-national biodiversity strategies and action plans and strengthen the capacities of sub-national and local governments to incorporate biodiversity into urban and other spatial planning processes (see Box 3.17).

The protection of biodiversity is another policy area under the competency of regional governments. However, biodiversity policies (see Box 3.18) cannot only pertain to plants, animals, micro-organisms and ecosystems; they must also include people and communities, their right to have access to food, medicine, clean water, air and to a clean and healthy environment. Integrated cross-level vertical coordination implemented locally by territorial governments is, in this regard, normally perceived as being far more effective than sectoral one-off interventions carried out in isolation by different levels of the public administration.

BOX 3.17 THE REGIONS FOR BIODIVERSITY INTERNATIONAL CONFERENCE[138]

In order to promote dialogue between regional and sub-national governments, conservation organizations and other stakeholders in the implementation of the UN Convention on Biological Diversity (CBD) Strategic Plan 2011-2020 and the Aichi targets,[139] Barcelona hosted an international conference on the role of regions in biodiversity preservation and the challenges and responsibilities in achieving these objectives.

This meeting also allowed the inclusion of a group of regional governments from the Sub-National Governments Advisory Committee to the CBD. This Committee gathers together a group of active regions to provide expert input and jointly promote and assess sub-national plans of action on biodiversity. Participants at the conference highlighted – among other things – the fact that although regional governments are best placed to deal with biodiversity and find solutions, they often lack the human and/or financial resources to do so, particularly in rural areas.

BOX 3.18 BIODIVERSITY PRESERVATION IN THE MOQUEGUA DEPARTMENT, PERU[140]

Similar to many other parts of the world, biodiversity in the Moquegua region of Peru is under significant pressure due to habitat fragmentation; overexploitation of hydrological resources; the extraction of forest-dwelling species; and the burning of grasses; all of which are caused mainly by human activities. In a bid to overcome these challenges, the regional government of Moquegua has developed a regional strategy for biological diversity (2014-2020) through a participatory process incorporating ideas from over 200 people, among them professionals, members of civil society, representatives of public and private institutions, as well as municipal and regional authorities.

The project is structured around six main objectives:

1. Promote an efficient management of financial resources for the preservation of biodiversity;
2. Strengthen the competences of technical and operational institutions for the adequate management of biodiversity;
3. Strengthen the population's capacity to conserve and promote sustainable use of biodiversity;
4. Promote the sustainable management of tourism and flora and fauna to improve people's quality of life and achieve economic and employment benefits;
5. Promote scientific studies of the local wildlife and plant species as well as ecosystems;
6. Implement policies and tools for the management of biodiversity.

In Catalonia (Spain), the strategy for the conservation and sustainable use of biological diversity aims to integrate conditions for sustainable biodiversity into urban and regional planning; ensure the ecological permeability of the territory to facilitate the displacement and dispersion of species; promote biological connections across the whole territory using 'green corridors'; and maintain the overall conservation of habitat types. In order to achieve these broad objectives, Goal 8 of the strategy, for example, emphasizes the need for a sustainable territorial model that supports economic development, improves quality of life and the environment, and promotes the conservation of biodiversity at all levels of planning and urban management and in all areas of the territory.

Water management and the preservation of wetlands and coastal areas

Water management is vital to life and a sector that has been increasingly devolved to regional and other sub-national governments.

BOX 3.19 WATER, CATCHMENTS AND WATERWAYS MANAGEMENT IN NORTHERN TERRITORY, AUSTRALIA[143]

As part of its 'balanced environment strategy', Australia's Northern Territory is taking action to manage water resources and preserve its vital waterways and catchments – which have important agricultural and environmental functions. In this regard, the state is:

- Elaborating and implementing strategic plans to manage water allocation, reduce potential threats to marine biodiversity, and improve sewage management;
- Monitoring and promoting transparency on the state of its waterways, drinking water resources, and the impact of industry on these resources;
- Collaborating with the National Centre for Groundwater Research to study the potential of managed aquifers in water storage;
- Delivering programmes to reduce the costs related to the adoption of efficient water use and waste management technologies;
- Promoting flood and storm surge mitigation solutions;
- Promoting the sustainable management of the state's fish and aquatic resources.

It links to Goal 6 of the SDGs, to 'ensure availability and sustainable management of water and sanitation for all'. As a natural resource that is abundant yet overexploited by human activities, water is under significant pressure worldwide. Its management is fragmented, as hydrological and administrative boundaries are often not concomitant, making this sector highly dependent on effective MLG. This is of paramount importance since – according to a study by the OECD[141] – at least 40% of the world's population currently lives in water-stressed areas, with this number expected to reach 55% by 2050. Water management is also crucial when it comes to the different aspects of development, including agriculture and food supply, health, energy and the environment.

Across the world, the management of water resources, including sewage systems, is allocated differently between different levels of government. In some countries, intermediate levels are legally responsible for managing water - regions, provinces, departments, counties, states, and so on (e.g. Australia, Malaysia, Lebanon, Kenya, Russia). In others, the central government is fully responsible (e.g. Tunisia, Gabon, Iran, Singapore). In countries such as Brazil, Canada, India, Denmark, Germany and Morocco, water resources are managed at the municipal level in partnership with regional and national governments. An increasingly popular model for water management is integrated watershed management. This follows a geographic and natural breakdown of the territory into river basins, each having their respective management agency, with interesting examples of participatory councils involving municipal governments, local business and communities concerned with specific basins and geographic areas. The model allows for the coordinated management of water resources within the limits of a geographical unit (the river basin), taking into account the different components of the water cycle and the interactions between natural and human systems in order to promote a balanced and sustainable use of resources. This system has been implemented in many parts of the world including Brazil, France, Malaysia and the Niger River Basin, where an integrated watershed management plan is shared by nine countries (Cameroon, Guinea, Mali, Niger, Ivory Coast, Benin, Burkina Faso, Nigeria and Chad).[142]

The distribution of water by water utilities does not always correspond to the management of water resources. For example, in Brazil, water is managed at the municipal level but most of the population is supplied by large regional government-owned operators (e.g. *Companhia de Saneamento Básico do Estado de São Paulo* – SABESP, in the state of São Paulo).

In many places, **the increasing decentralization of water management has allowed for policies that are more tailored to local realities on the one hand, but has intensified capacity and coordination challenges on the other.** Indeed, experience suggests that there is no one-size-fits-all solution for water management: water policies should be adapted to local and territorial specificities and should be developed using a bottom-up and inclusive approach (see Box 3.19).

Coastal areas have long been among the most productive and popular settlement areas, concentrating a large share of the world's population. Indeed, half of the world's inhabitants live less than 60km from the sea, and 75% of large cities are located on the coast.[144] However, this concentration of population and human activities (e.g. tourism, industry, etc.) is putting significant pressure on coastal ecosystems (through habitat destruction, biodiversity loss and pollution), which are among the most vulnerable to climate change and natural hazards. Risks include sea level rise, flooding, erosion and extreme weather events, the consequences of which are already being felt among coastal communities (see Box 3.20).

Given the high stakes involved, it is imperative to develop and spread the use of integrated coastal management plans to protect the natural resources of coastal areas whilst promoting their efficient use. The sustainable development of these vulnerable areas will depend on governments' ability to develop coordinated approaches that encompass activities such as aquaculture, shipping, tourism, agriculture, industry, fisheries, offshore wind energy and infrastructure development.

Forest management and protected areas

Another issue closely related to sustainability and often under the competency of regional governments is forest management**. Forests have a crucial role to play in soil conservation, water cycles, carbon sequestration and habitat protection, as well as other key environmental services**. Their sustainable management is therefore vital for people's livelihoods, for food security and for sustainable agriculture. Indeed across the world, the livelihoods of around 1.6 billion people depend on forests, which are also home to around 80% of terrestrial animal species, plants and insects.[145] Goal 15.2 of the SDGs states: 'By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally'. The extension of agricultural land is the main driver of global deforestation and should be better regulated through (among other things) the promotion of a positive interaction between agriculture and forestry and better integration of locally adapted policies on forests, agriculture, food, land use and rural development (see Box 3.21).

Given the urgent need to protect fragile ecosystems, the establishment of protected and conservation areas became a necessary tool to define sustainable models of management and the use of environmental resources. Indeed, this is now a key part of the CBD work programme since 'protected areas provide livelihoods for nearly 1.1 billion people, are the primary source of drinking water for over a third of the world's largest cities and are a major factor in ensuring global food security'.[146] As a legal instrument, the details

BOX 3.20 COASTAL MANAGEMENT IN SCHLESWIG-HOLSTEIN, GERMANY

In Schleswig-Holstein, more than 350,000 inhabitants live in coastal areas exposed to flood risk. Conscious of climate challenges such as sea level rise, increasing temperatures and changing wind patterns, the state government of Schleswig-Holstein (Germany) adopted an integrated climate change adaptation strategy in 2015, articulated around coastal risk management. The strategy aims to promote resilience, preserve the integrity of the Wadden Sea ecosystem and ensure the long-term maintenance of its present functions and structures.[147]

The Schleswig-Holstein Agency for Coastal Defence, National Park and Marine Conservation (LKN.SH) provides a number of services, including coastal defence and flood defence along the rivers; oil spill response; nature conservation and sustainable development in the National Park Schleswig-Holstein and the Wadden Sea; and the protection of rivers, groundwater, lakes and coastal waters.

BOX 3.21 FOREST ACTION PLAN IN THE DEPARTMENT OF GOSSAS, SENEGAL

With the loss of an average of 43,000 hectares of forest land per year between 1990 and 2015,[148] the Department Council of Gossas has, in collaboration with the territory's forestry service, been developing a plan 'by and for the people' to reverse this trend. The plan has a number of aims, including to map and delineate 750 hectares of the Malka forest; reforest 50 hectares (half of the 100 hectares originally planned); create forest management structures such as village and inter-village committees; raise awareness among communities, elected officials and other stakeholders; reintroduce plant and animal species; distribute 1,000 fuel saving stoves per year; and sequestrate 13,500 tCO_2 per year. In order to promote the involvement of local communities and strengthen their capacities, the project will also provide forest management training to one leader in each rural community.[149]

and types of protected areas vary according to each country. However, in most countries they overlap with the territorial competences of regions, which become responsible for creating and managing those areas.

In Brazil, the federal government regulates and establishes criteria and typologies for the different conservation areas in the country at all levels of government. A large array of templates can be applied, combining different elements of protection and socio-economic usage. The state of São Paulo – in collaboration with R20[150] and FUNBIO (Brazilian Fund for Biodiversity) – is implementing a reforestation project aimed at repopulating 10,000 hectares of land between 2015 and 2020. Each hectare will comprise 1,600 trees and the project's estimated cost will be USD 50 million.[151] The Brazilian state has over 50 dedicated conservation units applying different models of management and involving stakeholders in the São Paulo Biodiversity Commission which oversees the expansion of protected areas and the establishment of new ones.

Sustainable energy and green technology

There is no doubt that **renewable energy sources** represent a key part of our sustainable future. Indeed, they **play a significant role in meeting global energy demands while at the same time reducing carbon emissions and promoting local economic development**.

Regional strategies for energy transition are on the rise, as exemplified by Rajasthan's (India) solar power development (see Box 3.22) or Wallonia's (Belgium) energy policy 2014-2019. The latter aims to encourage the sustainable use of energy by developing renewable energies as well as organizing the regional gas and electricity market efficiently, emphasizing the economic, social and environmental dimensions.[152] The Pays de la Loire region (France) has also devised a regional strategy for energy transition for the period 2014-2020.[153]

Muynak, a former small port city, almost abandoned due to the desertification of the Aral Sea.

Photo: Aleksandr Zykov - Muynak (Uzbekistan).

Sustainable agriculture

As a sector essential for rural development and increasingly for food security in an urbanizing world, agriculture has undergone significant changes due to new technologies, mechanization, use of chemicals and the introduction of policies that focus mainly on raising productivity. Among other things, this has led to topsoil depletion, the contamination of groundwater and worsening social and economic conditions in rural communities. Moreover, climate change brings with it a series of new challenges, including the risk of natural hazards and hydrological events which can jeopardize the production of crops and livestock.

In Europe, the Common Agricultural Policy (CAP) is intended to mitigate the risks of environmental degradation and promote the sustainability of agro-ecosystems through biodiversity preservation and the development of 'natural' farming systems, sustainable water management and use, and mitigation of the attenuating effects of climate change (see Box 3.23).

To meet the needs of a growing population for food and other agricultural commodities will require a sustainable increase in food production, through – among other things – the development of new technologies, awareness-raising initiatives and economic incentives. Policy shifts will be needed to ensure stable supplies of food accessed by vulnerable communities. Success will depend on adequate MLG as well as on the involvement of rural populations, the private sector and the scientific community.[157]

Food security

Food systems are numerous and varied across the world, yet we are witnessing the rise of a hegemonic agro-industrial or 'agribusiness' production and mass consumption system that is concentrated, globalized and structured by large industrial and commercial firms. While this has contributed to reducing food-related costs and improving overall food hygiene, it conflicts with sustainable development - a situation necessitating alternative solutions. In this regard, regions have become key actors, as evidenced by the increasingly popular and promising Territorialized Agri-Food System concept developed and promulgated by the scientific community, NGOs and international organizations. Regions have witnessed the exponential growth of cities and the massive flows of immigration that are swelling their populations. They can likewise act as a complement or an alternative to today's ever-more globalized, industrialized and commodified food provision system.[158] A balance in this complex mechanism has fundamental repercussions not only on the culture of localness and proximity, people's health, the sustainability of the economy and

BOX 3.22 SOLAR POWER IN RAJASTHAN, INDIA[154]

As part of India's drive to promote solar power, the state of Rajasthan has been extensively developing its solar power capacity to become the country's leader in solar energy – capitalizing on its natural advantages which include large areas of land and a high level of solar radiation. In fact, in 2011 Rajasthan's goal of reaching 25 gigawatts of solar capacity by 2022 exceeded the national government goal of achieving 22 gigawatts in the same timeframe (the target today is 100 gigawatts by 2022). If this state's rate of solar power capacity were applied to the whole of India, it is estimated that the country's CO_2 emissions would fall by 202 million tonnes before 2020.

However, a number of financial and logistical challenges in the development of solar capacity have already occurred across the country. These include lack of finances; difficulties in acquiring tracts of land; and gaps in the infrastructure needed to connect utilities to the grid.

BOX 3.23 A PLAN FOR SUSTAINABLE AGRICULTURE IN BRITTANY, FRANCE[155]

In France's 'first agricultural region',[156] a number of plans have been developed to mitigate the effects of climate change - which threatens the economic equilibrium of the harvest - and drastically reduce CO_2 emissions related to farming (a sector which currently accounts for 40% of Brittany's GHG emissions). The Regional Council of Brittany, along with the Regional Chamber of Agriculture, are working towards reducing energy consumption and improving the energy efficiency of machinery, developing renewable energy sources and engaging in collective research-related initiatives. Actions include improving isolation, ventilation and heat recovery; subsidizing equipment to recover heat in milk tanks and hydro-coolers (10% of farms were equipped with this in 2015); acquiring energy-efficient material; and providing financial support to farmers.

the environment, but also on co-existence, peace and security.

The rural-urban economy is a complex system which engages a massive number of socio-economic actors and interests: farmers, craftsmen, agro-alimentary industries; packaging companies, recycling companies, machinery producers; transporters, traders, sellers, shop owners, restaurant owners; financial services, innovation, communication and training industries; and, of course, the whole of a territory's citizenship. The range of actions and interests of this diverse and large community of stakeholders goes well beyond the administrative limits of the most local tiers of government, and their participation is essential in the management of core issues such as food security. Due to it being local and proximate, the region stands out as the ideal level of government at which these actors can interact and help make the results of their decisions stay within the territory.

The rural-urban economy is a complex system which engages a massive number of socio-economic actors and interests

The Government of Azuay in Ecuador established its *Territory Vision 2019*, a comprehensive territorial plan to ensure sustainability in all dimensions of the region's public administration, including the environment.[159] In this plan, Azuay promotes 'food sovereignty' as a concept that goes beyond providing enough food, to one that is also being socially, culturally and environmentally adapted to the local context through the recovery of traditional food products and knowledge. For example, sections of the plan that focus on food security also deal with capacity-building and awareness-raising activities in the plan's 'Management, Operation and Maintenance of Irrigation Systems' section. Additionally, the regional government promotes weekly fairs to promote awareness and ensure that small rural producers have access to markets.

Advocacy in this field is growing. The 2nd Summit of World Regions for Food Security, held in Medellín in 2012, promoted, in its Final Declaration, the establishment of 'Territorialized Alimentary Systems'. Similarly in 2015 in the Québec Declaration, representatives from Laval University (Canada), the Montpellier UNESCO Chair for World Food Systems (France), the University of Costa Rica, the ORU-FOGAR association, the Remolis Research Centre (France), and the French Association of Regions, advocated for Territorialized Alimentary Systems to make food security 'an axis of territorial development, leading to the development of local agricultural and food chains, while contributing to the preservation of natural resources and the protection of the environment, to job creation in all related industries (collective food systems, ecotourism, craftsmanship, services), to the promotion of cultural and gastronomic heritage, and the protection of agricultural and alimentary diversity'.[160]

As the rest of this chapter will discuss, the rural-urban relationship demands a regional approach for two reasons. First, a regional perspective is needed to grasp the demographic reality of rural-urban duality, the agro-climatic diversity of rural-urban territories and, economically, the large market volume involved in this relationship.[161] Second, the region allows a multilevel model of complementarity, interconnectedness and solidarity to develop among the municipalities which form it.

The role of decentralized cooperation and the twinning and close cooperation between regions, cities and all involved actors is absolutely essential to develop awareness on sustainability, the environment and the challenges that are faced. Associations, networks and platforms at both the domestic and international levels have contributed significantly to this aim, promoting exchange of best practice and supporting cooperation projects to improve environmental policies across the world's regions. UCLG's Forum of Regions, Nrg4SD, ORU-FOGAR, R20 and a number of like-minded networks have been particularly successful in pursuing this goal.

Photo: David Stanley - Luderitz (Namibia).

4.

SMALL TOWNS, RURAL-URBAN LINKAGES AND REGIONAL DEVELOPMENT

Even in our current urban age, small urban centres and rural municipalities play a fundamental role in development. Regional development affects, encompasses and nurtures both urban and rural environments, the people that live in them and the businesses that produce and create wealth within them. Territorial relations – between the rural and the urban, and among small urban centres and intermediary cities and metropolises – are critical in the quest for a sustainable, comprehensive and inclusive territorial development.

There is no universal measure of the impact of small towns on regional development. While many have turned into key components of positive development cycles, several other smaller settlements face stagnation and decline. This section suggests two main reasons for this persisting variability. Firstly, unlike larger cities, most small towns and their economies still depend largely on their location and geographical context, normally a rural environment, and on the status this is granted by national policies, priorities and legislation. Small towns, for example, tend to be affected by those national policies and frameworks that rigidly divide 'rural' and 'urban' areas, since their economies have inherently strong interactions and linkages with their surrounding rural environment. A firm separation between the rural and the urban, in other words, tends to aggravate – rather than support – households and businesses in smaller towns. Secondly, and in line with this 'contested' rural-urban blurred typology, **small towns tend to rely extensively on financial and technical support that they receive from higher tiers of government**, in particular from regional and national administrations.

However, in many cases small towns and rural municipalities have developed local governance systems designed to fully take advantage of their unique relationship with, and knowledge of, the local context, its opportunities and, most importantly, its challenges. In this regard, they are an important link in the local democracy chain, connecting the public administration with its people and communities.

The global agenda for regional development will have to take these issues into consideration, and systematically pursue a more comprehensive territorial approach. This must not marginalize small towns and their rural environments, but rather build on their privileged connection with the territory, their unique model of social relationships and institutionalized trust, as well as their immediate proximity to natural resources – all elements that are essential to the social, alimentary, environmental and energy sustainability of territories and urban settlements.

Even in our current urban age, small urban centres and rural municipalities play a fundamental role in the development of their surrounding rural regions

4.1
SMALL TOWNS: A KEY LINK IN THE URBAN CHAIN

This section focuses on small towns and the particular relationship they have with different aspects of regional and territorial development. Small towns are a special territorial unit of analysis, mainly because of how difficult they are to define and the diverse functional roles they can play in their hinterland and within their territories.

There is no universally accepted definition of 'small town'. Demographic and urban patterns around the world are so diverse that the definition remains extremely contextual and loose at both ends of its categorization – i.e. above and below what population a town is considered 'small'. Depending on national legislation and context, settlements can start being 'urban' centres with just a few hundred inhabitants. On the other hand, certain 'towns' of up to 100,000 inhabitants can be considered 'small' in the context of national urban systems such as those found in China or India. This blurred definition has repercussions for the analytical comparability of the 'small town' category.

Small towns around the world are an essential link with both the rural environment and larger urban agglomerations

This report defines small towns as **any urban centre with fewer than 50,000 inhabitants**. At the same time, it accepts the limitations of a definitional framework that focuses exclusively on the demographic size of these settlements. The European Observation Network (ESPON), for example, acknowledges three main perspectives that help conceptualize 'small towns' within the reality of urban and demographic systems:

- A **morphological perspective**, according to which a small town has to respond to certain criteria about the urban shape and configuration of its settlement – i.e. be a compact, built-up area with a concentration of population;
- An **administrative perspective**, that favours a definition of a small town as a recognized 'territorial unit of local government',[162] part of the larger administrative system of a country;
- And a **functional perspective**, according to which a small town is a centre concentrating economic and social activities; providing services and specific administrative functions to a larger surrounding region or area – usually coinciding with the urban settlement plus its (mostly rural) hinterland.

The functional perspective is particularly useful in defining a small town's interaction with its territory. These functions are largely shaped by the wider national and sub-national (regional) urban systems in which small towns are embedded, rather than by sheer population or size. For example, in a small country such as Belize, with an estimated population of around 340,000 people in 2014, the largest city (Belize City) has around 57,000 residents, while intermediate urban centres range between 5,000 and 10,000 inhabitants. Small towns are even smaller and often do not even reach 2,000 inhabitants. They do, however, have clear functions in administration, trade and education that both shape and are shaped by the national urban system.[163] In contrast, since the 1990s, China's urban centres have generally tended to grow large, partly because their administrative boundaries often include large areas of surrounding land and rural residents. Consistent with the national urban system, the population of 'small towns' in the Chinese system can range between 30,000 and over 100,000 people, although their administrative functions remain subordinated to the county government, regardless of size.[164] As part of the rapidly growing proportion of the population living in urban centres, however, small towns have managed to achieve a new centrality even in the supersized Chinese urban system: in the 30 years between 1978 and 2007, the number of Chinese small towns increased from 2,173 to 19,249.

In general, small towns around the world are an essential link with both the rural environment and larger urban agglomerations. This 'linking' status and their territorial pervasiveness make the role of small towns in national urban systems hard to pinpoint, however with marked differences between decentralized and more centralized countries and, most importantly, developed and developing economies.

4.1.1 Small towns and their place in national urban systems

There is growing interest – in both academic literature and policy analysis – not only in small towns and rural-urban areas, but in those urban centres commonly referred to as small or intermediate urban centres, or secondary or intermediary cities – although such interest was also evident during the late 1970s and 1980s.[165] In part, this comes

from a greater recognition that a significant and usually increasing proportion of national population lives in urban centres other than the largest cities. But it is also fuelled by a concern about the relative weakness of local governments in many of these centres, despite the populations they serve and the socio-economic weight and relevance of the communities they govern.

Table 1 in the report's introduction and Figure 1 in this chapter's introduction show the proportion of the world's population estimated to live in small cities and towns with up to 50,000 inhabitants. The diversity of the demographic significance of the latter category across the world is noteworthy. While over one fifth of the world's urban population live in small towns, there are significant variations between and within regions. For example, the average figure for Africa (26.4%) hides major differences between Eastern and Western Africa, both with more than 30% of their urban population living in small towns, and Central Africa, where this proportion falls to just 13%. Among high-income regions, Europe has a higher than average proportion of its urban population living in small towns, whereas Northern America has a much lower than average proportion at only 10.8%. All urban-based Polynesians, on the other hand, seem to reside in small towns. Such diversity highlights the importance of the wider socio-economic context, including the nature and shape of national urban systems of which small towns are a part. This diversity reflects the spatial distribution of the population: while in Northern America, Europe, Latin America and the Caribbean, and parts of Asia, projections suggest that between 2014 and 2050 urban population growth will be accompanied by a decline in rural populations, this will not be the case for the majority of countries in Africa and Oceania, where there is likely to be an increase in both urban and rural populations, according to data from UN-DESA.

Population and presence in the territory are not the sole characteristics that define the role of small towns in urban systems today: their function and relationship with the rest of a country's urban hierarchy are similarly defining. **Functionally, the concept of small towns ranges from towns on the fringes of large and congested metropolitan areas to isolated villages that are often the only built-up concentration of population in vast swaths of rural land or wilderness**. Almost all small towns depend on some economic stimulus or function to support the population they concentrate – for instance as a centre for local administration or public service provision (post, public transport), or wherever town size and entrepreneurial demand allow for the establishment of a market place (shops, stalls, rural produce).

However, a small town's role and function can be significantly affected by context. Most small towns in low and many middle-income countries are inextricably linked to the rural and agricultural economy. In many such contexts, small towns still represent the very last connection between the urban and the rural, acting as the interface through which the rural economy (agricultural products, mining and natural resource exploitation) interacts with an urban one (market outlets, infrastructure, connections, information, movement of goods and services). This is no longer necessarily the case for small towns in wealthier economies, where agriculture accounts for a very small proportion of GDP and employment, and many small towns are able to develop a competitive and fully-fledged role within a knowledge-based, technologically advanced economy. In many developed economies, small towns have been able to bridge the competitive gap that separated them from larger agglomerations or metropolitan areas and under certain circumstances, are partially re-writing the narrative that sees development and growth directly correlated to urban mass, size and compactness (see Box 4.1).[166]

Population and presence in the territory are not the sole characteristics that define the role of small towns in urban systems today

Photo: David Stanley - Elmina (Ghana).

BOX 4.1 SMALL TOWNS AND THEIR FUNCTION IN ADVANCED URBAN ECONOMIC SYSTEMS[167]

Because of their diversity and pervasiveness throughout the territory, small towns are perhaps even more vulnerable than larger cities to the challenges that define and threaten urban development and urban life: globalization, depletion of natural resources, climate change and natural disaster risks, ageing populations, geographical isolation or territorial marginalization, and the socio-economic effects of sprawling cities. While they are traditionally linked to rural areas and to a simpler, agriculture-based economic system, in many contexts small towns have managed to use a complex set of policy and community-based responses to address these challenges and their potentially disruptive effects. The United States, in particular – a country in whose urban system vast, scarcely-populated rural areas co-exist with some of the world's largest and most congested metropolitan areas – offers a number of interesting examples of small towns that have taken advantage of both their potential and the opportunities of an advanced market economy to enhance their competitiveness, community-building efforts and sustainable resilience.

A paradigm of sustainable development guided the community of Dillsboro (North Carolina) towards a plan for a renewable energy power plant on the site of an abandoned landfill which had started to leak methane into the air at dangerous and illegal levels. The green energy produced was then used to power a new business district for local entrepreneurs and craftsmen in the town centre (while also contributing to an overall 23% growth of the town's GDP over a ten-year period). Dillsboro's case is also an example of best practice and knowledge-sharing at the horizontal level, since the local institutions of Dillsboro's Jackson County based their plan on the previous experience of neighbouring Yancey County.

In the early 2000s as part of a strategy of post-industrial revitalization, Nelsonville (Ohio), a community historically linked to the declined coal -mining industry, supported subsidized rents for entrepreneurs, artists and local business owners interested in renovating the nearly abandoned downtown district. Beneficiaries were asked to re-invest part of their earnings in storefronts and other structural refurbishments, which in turn attracted more businesses and residents, repopulating the district. Thus, cultural investment and knowledge-based economic impulse can pay off even within the limited size and boundaries of small towns, given the improvement in quality of life, community-building and tourism that these bring.

Globalization and territorial and urban marginalization can cause a profound systemic instability whose shockwaves affect small towns as much as any other urban centres. The limits of economic specialization and the threat of a fragmented community in the face of growing foreign competition had shaken the growth prospects of the rural community of Pelican Rapids (Minnesota). The town, however, built on the diversity that job opportunities had brought during the 1970s and 1980s to create a magnet for migrants and foreign workers. Long-time foreign residents had a personal commitment to empowering the town's diverse population and entrepreneurial talents. This effort resulted in a local school system (of about 1200 pupils) where dozens of languages and dialects are spoken, and a local economy based on traditional culture, integration and cultural 'mixity', in which immigrant employers create jobs for local people and contribute to local finances and growth. A multicultural committee and an agency for social services supervise integration into the local community. At a time when migration waves are putting additional pressure on the social resilience of large metropolises and kindling inequality and intolerance in diverse urban communities, Pelican Rapids is an example of the beneficial effects of small towns' scale, proximity and community closeness in dealing with some of these challenges.

Many small towns have relied on state-wide sectoral agencies, regional platforms, shared committees and commissions to tackle the most pressing issues in their communities in a transparent and 'co-owned' way - offering a glimpse of the full potential of innovative, empowered governance, respectful of the goals, needs and ambitions of their communities.

On the other hand, in much of Sub-Saharan Africa the development of small towns remains largely linked to agricultural production systems and, in some cases, to the expansion of the mining industry. In Zambia's Southern Province, for example, the town of Mazabuka (with a population of just under 50,000 in 2000) developed largely around sugar plantations in

the surrounding region and the town-based sugar refinery, whereas the much smaller town of Kalomo (11,000 inhabitants in 2000) has a cotton ginnery but is located in an area where low soil quality limits the development of cash compactness (see Box 4.2).[168]

BOX 4.2 SMALL TOWNS AND TERRITORIAL DEVELOPMENT IN GHANA[169]

Ghana is an interesting example in the context of Western Africa's urbanization, because of the characteristics of its urban system and the relationship between small towns and their hinterland. While Ghana's population has increasingly become more urban, smaller settlements still represent a significant part of the country's urban system. In 2000, only 14 urban centres out of a total of 350 had a population of 50,000 inhabitants or more. The population of many smaller centres is not even officially included in the census. A 1988 decentralization scheme adopted a two-tier administrative division, drawing regions and districts within them. Later reforms have raised the number of 'ordinary' districts to 164 (large municipalities have a different status). Each district has a capital, which fulfils specific functions of service provision and economic agglomeration in territories that remain predominantly rural, and most of these capitals are small towns. According to data from the 2000 national census, 96% of Ghana's urban centres were small municipalities and settlements, and about one in three was a district capital. These data, however, precede the latest round of reforms and increase in administrative fragmentation, and may well underestimate the relevance of small towns (and small district capitals) in the country's urban system.

The 1988 national decentralization programme also focused on resource transfers and the enhanced involvement of smaller urban centres, with specific reference to district capitals. Even so, under current legislation, local governments can only access three main transfer fund sources: the District Assemblies Common Fund (DACF), which redistributes 5% of the total national fiscal revenue to districts; the Grants in Aid system, which plays a key role in financing civil servants and the ordinary administration at district level; and the Ceded Revenue, a portion of national tax income that is devolved to districts. While the shares of the DACF are fixed and predictable, the national government is in control of transfer distribution of the other two funds, with no real transparency or participation of local governments.

As a result, the ability of local municipalities to serve their administrative functions is severely constrained. While inadequate finances have hindered the ability of smaller towns – and district capitals in particular – to make an impact in their area's socio-economic development, an unclear distribution of competences and lack of horizontal coordination have made local institutions appear 'weak and unaccountable', and struggling with 'weak human resource capacity'.[170] District assemblies have a key socio-economic role: they report to regional assemblies and participate in the definition of local development plans. Moreover, district capitals are recognized as centres of service provision, providing access to certain opportunities (mobility, markets, etc.) for the large urban population that lives around them. In 2000, over 30 district capitals lacked a hospital, and seven of them any kind of medical facility. Almost 15 district capitals had no post office, and nearly 20 of them had no connection to a telephone landline. Lack of services, financial and human resources are hindering development in rural areas that rely extensively on small towns for the daily functioning of their economies and communities.

Small towns, in the form of rural-linked district capitals, are playing a fundamental role in supporting local development and have been a key instrument in the national government's toolkit to tackle poverty, distribute wealth more equally, and provide basic opportunities and resources to otherwise isolated rural areas. The central government, however, remains fully in control of long-term policy definition and, most importantly, of the allocation of economic and financial capabilities. Small towns have been a proxy for many extensive rural areas to finally access markets, water, electricity, healthcare and education. However, a more transparent distribution of funds and a more 'co-owned' system of vertical integration and competence devolution are still required for Ghana's decentralization scheme to work properly and fully take advantage of the privileged location and proximity of its many small towns.

Since the 1990s, export-oriented economic strategies in Mexico have stimulated the growth of small (and intermediary) urban centres along the border with the United States, based mainly on manufacturing. However, the rapid growth of these northern urban centres has not stimulated much development in the rest of the country, since their main functional linkages are with urban centres in the United States.[171] **Small towns are best understood as part of urban change dynamics within specific countries and regions**, which in turn are shaped by economic shifts and institutional arrangements. In Spain, for example, policies and initiatives supported by both the central government and the EU have emphasized territorial approaches that promote the integration of specialized economic activities such as fishing and tourism, with specific attention paid to environmental protection.[172]

Small towns have a vested interest in fostering various forms of rural-urban linkages and have become catalyzers for these two complex realities to co-exist and cooperate harmoniously

The following sections address this diversity and the multiplicity of roles small towns can play, depending on their location and place within urban systems and hierarchies. These sections identify three key challenges for small towns, their function and administration. First, the inevitably close relationship that most small towns maintain with the rural environment in which they are often embedded (Section 4.2); second, the impact that small towns can have on regional development (Section 4.3); and finally, the prospects and challenges that the governance of this particular category of urban centres faces in future, and how it fits with the emerging global urban agenda (Section 4.4).

4.2 RURAL-URBAN LINKAGES: DEFINITIONS AND TRENDS

Given the diversity of the urban phenomenon, small towns can be located and engaged within a larger urban system in a number of ways. Peri-urban small towns can be strategic in the area's larger commuting patterns or serve as the last urbanized interface with the surrounding countryside (and the resources it contains). Small towns can likewise be networked with other intermediate settlements, with which they share 'functional complementarities'[173] that can provide a larger rural-urban community with services and access that would otherwise be available only around larger urban areas. Finally, small towns can be located in sparsely populated areas that rely heavily on the rural economy: in these cases, small towns have additional pressure and incentive to seek cooperation with the rural environment and its socio-economic actors and stakeholders, to guarantee service provision and the effective management of available natural resources. As proxies to agglomeration economies, service providers or core centres of activity in large non-urbanized areas, and because of both their size and function, small towns have a vested interest in fostering various forms of rural-urban linkages and have become catalyzers for these two complex realities to co-exist and cooperate harmoniously.

4.2.1 Small towns and the rural-urban continuum

The pattern of small urban centres and their relationship to rural settlements and other urban centres defies simple categorization or description. The spatial distribution of any nation's urban population is best understood as the 'geography' of its non-agricultural economy. In other words, it is the map of where people whose main income source is not from the primary sector – agriculture, fisheries, forestry and mining – make a living. In general, as a nation's per capita income increases, so too does the concentration of its population in urban centres, because most investment and income-earning opportunities are concentrated there. The majority of low-income countries and all low-middle-income countries have less than half their GDP in agriculture, and all countries with growing economies have decreasing proportions of their GDP derived from agriculture and declining proportions of their labour force in this sector. However, these figures can be misleading in that a considerable part of the growth in industry in many low-income countries may be from forward and backward linkages with agriculture – for instance, the production and sale of agricultural machinery, fertilizers and other agricultural inputs, cold stores, and packaging and processing industries. In many countries, a significant proportion of the total value of agricultural production is within urban areas, but this may also be due in part to city boundaries encompassing large areas of agricultural land so that the produce grown in what are clearly agricultural areas (with no urban characteristics) is counted as 'urban'. In addition, a considerable part of the growth in urban services is to meet demand from

Table 4.1 **The continuum of settlements, from rural to urban**
Source: Satterthwaite and Tacoli (2003)

	SMALLER POPULATION → LARGER POPULATION		
	RURAL	**MIXED**	**URBAN**
Type of settlement	Unambiguously rural settlements with most of the inhabitants earning a living from farming, forestry and/or fishing.	'Large villages', 'small towns' and 'small urban centres'. Classification influenced by each country's definition of 'urban areas'.	Unambiguously urban centres with much of the economically active population deriving their living from manufacturing or services.
Population trends	Populations of rural settlements range from farmsteads to a few hundred inhabitants.	Populations range from a few hundred to 20,000 inhabitants.	In virtually all countries, settlements with more than 20,000 inhabitants are considered as urban; in certain countries, settlements with far fewer than 20,000 inhabitants are considered urban.
	LESS RELEVANT NON-AGRICULTURAL ACTIVITIES → MORE RELEVANT NON-AGRICULTURAL ACTIVITIES		

agricultural producers and rural populations.

As noted above (Table 4.1), it is difficult to generalize about the economic bases of small towns. Many urban centres close to large and prosperous cities may develop stronger economic bases as they attract new enterprises whose output largely serves demands in the large city or external demands organized by enterprises located in the large city. They may also develop into dormitory towns, or at least have their economy strengthened by having a proportion of their workforce commuting to the larger city.

When comparing small towns' economic and employment bases, empirical studies have found no easily defined or clear dividing line although, in general, the larger the urban centre's population the smaller the proportion of the economically active population working in agriculture and the greater its importance within the government's administrative hierarchy. **In countries with effective decentralization, many municipal governments in small towns have become more successful in supporting economic growth and in improving infrastructure provision**, which also means many grow beyond 50,000 inhabitants and so are no longer classified as small cities or towns.[174] Most small towns exhibit a mix of urban and rural characteristics. However, most rural specialists choose not to recognize the importance of small towns within 'rural development'. Rural specialists may even talk at length about rural industrialization and 'off-farm' and 'non-farm' employment without mentioning 'urban', although much of the so-called 'rural industrialization' and much of the non-farm employment is actually in small urban centres. Meanwhile, most urban specialists fail to recognize the importance of prosperous agriculture and a prosperous agricultural population for urban development.[175] Recognition of the demographic, economic, social and political importance of small towns might help to shift such biases.

Perhaps less importance should be paid to this rural–urban divide and more attention focused on viewing all settlements as being on a continuum in terms of their population size and the extent of their non-agricultural economic base. Table 4.2 illustrates this: key 'rural characteristics' are listed on the left and key 'urban characteristics' on the right. But the characteristics listed in each column form two ends of a wide spectrum. Indeed, **many rural settlements have households that rely on non-agricultural jobs, and non-agricultural employment opportunities may**

Most urban specialists fail to recognize the importance of prosperous agriculture and a prosperous agricultural population for urban development

Table 4.2 **The rural–urban continuum**

Source: Satterthwaite and Tacoli (2003)

RURAL	RURAL–URBAN INTERFACE	URBAN
Livelihoods drawn from crop cultivation, livestock, forestry or fishing, mining (i.e. key for livelihood is access to natural capital).		**Livelihoods** drawn from labour markets within non-agricultural production or making/selling goods or services.
Access to land for housing and building materials not generally a problem.		**Access to land for housing** very difficult; housing and land markets highly commercialized.
More distant from government as regulator and provider of services.		**Access to infrastructure and services** difficult especially in rapidly growing cities in low-income nations for low-income groups because of high prices, illegal nature of their homes (for many) and poor governance.
Access to infrastructure and services limited (largely because of distance, low density and limited capacity to pay).		
Fewer opportunities for earning cash, more for self-provisioning; greater reliance on favourable weather conditions.		**Greater reliance on cash** for access to food, water, sanitation, employment and garbage disposal.
Access to natural capital as the key asset and basis for livelihood.		**Greater reliance on house as an economic resource** (space for production, access to income-earning opportunities, asset and income earner for owners – including *de facto* owners).
Urban characteristics in rural locations (e.g. prosperous tourist areas, mining areas, areas with high-value crops and many local multiplier links, rural areas with diverse non-agricultural production and strong links to cities).		Rural characteristics in urban locations (urban agriculture, 'village' enclaves, access to land for housing through non-monetary traditional forms).

be very important for reducing rural poverty. Meanwhile, many urban areas exhibit some rural characteristics – such as the importance of urban agriculture for many low-income urban households. In addition, in the middle of this continuum between 'rural characteristics' and 'urban characteristics' there is a 'rural–urban' interface.

This suggests the need to consider changes to the long-established classification of all human settlements as 'rural' or 'urban'. This simple classification system adopted for the collection and dissemination of population data does not reflect 'the blurring of rural and urban areas, the diversity of settlements within urban and rural contexts, the increasing scale and complexity of urban systems, and the new forms of urbanization that are emerging' in low and middle-income countries, as well as high-income countries.[176] It also tells us nothing of each settlement's functional linkages with other settlements. Hopefully, new classification systems will help make the social, economic, political and demographic importance of 'small urban centres and large villages' more apparent, while also highlighting their diversity.

Approaches that combine census and remote sensing data will make it easier to apply standard demographic definitions, allowing for international comparisons and a more accurate analysis of urbanization processes. One example of this is the Africapolis database covering the West African region for the period 1950 to 2010. Using a cut-off point of 10,000 inhabitants, it traces the evolution of more than 2,500 settlements in the region. Perhaps the most important finding is that while primate cities keep their role as the interface with global dynamics, there is a proliferation of new, smaller settlements that

pass the 10,000 urban threshold each year.[177] The analysis suggests that this process of *in situ* urbanization is the result of natural population growth and the limited number of existing towns that can attract rural migrants. Small towns (or, indeed, large villages) tend to develop in three broad categories of locations: densely populated areas, along major roads and in relative proximity of large cities. This suggests that the functions of small towns are best understood within the broader context of urban (and rural) networks. It also raises important questions about governance and institutional set-up, since these settlements often develop outside any legal or social framework appropriate to dense population concentrations, including the provision of basic infrastructure and services.[178]

Different contexts, however, show different dynamics. **In Europe, rural populations are increasingly ageing, as younger people tend to move to urban centres where economic opportunities concentrate**. At the same time, however, the large numbers of relatively affluent northern Europeans (Germans, Dutch, Scandinavians and British) moving to 'sunny', rural parts of southern Europe and living there full-time or for long periods of the year are credited with saving local rural economies from disappearing completely.[179] Such 'rurbanization'[180] is increasingly important in some regions of developed countries where people move from big cities to small towns to benefit from a better quality of life; and in low and middle-income countries it overlaps with investment by international migrants priced out by increasingly high land value in the large cities. This is the case for example in Senegal, where international migrants invest in small towns in the Senegal River Valley,[181] and in Central America, where migrant investment contributes to unplanned urban sprawl.[182] As new interest groups emerge, often in contexts where local governments have limited technical capacity and authority, new tensions develop that challenge governance systems, described in more detail below.

4.2.2 Defining rural-urban linkages

The linkages and interactions between 'rural' and 'urban' have become increasingly intensive and an important component of livelihood and production systems in most regions of the world. They are also, however, extremely diverse. This is largely because they reflect local and national socio-cultural and economic transformations, including the systems and institutions for the management of natural resources, agricultural production systems, the nature and location of manufacturing and services, as well as the shape of urban systems. To be a useful concept for policy, however, they need to be defined as clearly as possible.

A spatial definition of rural-urban linkages refers to the tangible and intangible exchanges between rural-urban areas, people and enterprises. This is useful in describing the density and directions of linkages; however, it does little to capture the dynamics that underlie these exchanges.

A sectoral definition focuses more narrowly on the interactions between different economic sectors – agriculture, industry and services. These can include agricultural production's backward linkages (the manufacturing of inputs) and its forward linkages (processing, transport and distribution). This definition goes into more depth in analyzing the functional links between people, activities and enterprises in different locations. However, this too has its limitations: to fully understand and support positive rural-urban linkages, a combination of functional and spatial dimensions is needed. As discussed in the next section, examples of positive linkages typically share one key factor: the added-value produced through functional linkages is retained and reinvested locally where, with appropriate institutional support, it serves as the engine for local economic development.

Rural-urban linkages are also central to structural transformation and the transition from largely agrarian economies with most of the population engaged in farming, to a concentration of employment in manufacturing and services which accounts for the bulk of national GDPs. This process is already well under way: globally, since about 1980 the economically active population employed in manufacturing and services exceeds that employed in agriculture.[183] Currently, around one third of the world's labour force is engaged in agriculture, and the sector generates 2% to 3% of global added-value, although this does not take into account subsistence production and the added-value produced by the manufacturing and distribution of food and other agricultural raw materials.[184] As happened in the past, structural transformations closely linked to urbanization typically involve people moving from rural to urban areas where non-farm jobs tend to be located.[185]

The linkages and interactions between 'rural' and 'urban' have become increasingly intensive and an important component of livelihood and production systems in most regions of the world

4.2.3 A specific type of 'proactive' linkage: rural-urban partnerships

As discussed above, the concept of rural-urban linkage covers a complex and diverse spectrum of interactions and relationships that connect different dimensions of urban and rural life and activities. Spurred by growing opportunities, enhanced communication and available technology, rural and urban environments are increasingly integrated and mutually reliant: labour and trade markets are increasingly shared, common resources are pooled for the provision of basic services, and both rural and urban contexts are conscious – to an unprecedented degree – of the need to preserve natural and environmental resources and cooperate to achieve sustainable production and socio-economic resilience. In other words, rural-urban linkages, in all their diversity and comprehensiveness, are key for the long-term sustainability of regional development and the wellbeing of people.

Photo: Ari Heltminen - Asamushi (Japan).

Rural-urban partnership is a concept that includes all those initiatives, actions, projects and platforms that are established with the aim of consolidating these basic and essential linkages, achieving common goals and enhancing the beneficial interrelationship between the rural and the urban environments. Rural-urban partnerships can play a significant role in empowering local actors and fostering cooperation dynamics in contexts (e.g. at the fringe of the urban, rural or uncultivated territory) that would otherwise receive neither adequate resources nor the required policy centrality to protect economy, environment and the uniqueness of social relationships.

Many international actors and institutions recognize the added-value of rural-urban partnerships when compared with other types of linkages. Some key features tend to characterize this category: the actors involved in rural-urban partnerships, for example, are usually aware and have an incentive to bolster and refine the socio-economic interdependence of the urban and rural contexts involved. In addition, the platforms created within these partnerships tend to guarantee adequate representation of both 'sides' of the rural-urban continuum, involving private and public stakeholders in the definition of the common goals and benefits pursued by the partnership.[186]

In practice, rural-urban partnerships take a number of forms (see Box 4.3). The creation of a whole new institutional framework – i.e. an organization dedicated to the partnership – is actually one of the least common arrangements, due to the political and economic consensus and investment that it implies. Many regional governments around the world have the necessary policy competences and legitimacy to manage the diversity of rural-urban linkages. More often than not, however, this level of government does not have adequate resources – both financial and administrative – to foster the full potential of these relationships. In most cases more fluid, flexible forms are therefore required for rural and urban actors to maximize the returns of their cooperation.

Rural-urban linkages are essential because they create common ground for the integration of two different realities through the sharing of key resources (water, land, agriculture, forestland, etc.); the provision of key services, and access to infrastructure and opportunities. **Rural-urban partnerships, however, are essential to activate and**

BOX 4.3 RURAL-URBAN PARTNERSHIPS IN CENTRAL CANADA

In Canada, a country characterized by high dispersion of population and urban settlements over a huge territory, regional partnerships have played a key role in mobilizing the rural-urban fringes and giving opportunities and policy visibility to rural areas scattered with small municipalities (most of them ad hoc settlements around a specific economic activity or natural resource extraction). Many rural communities in Canada have spontaneously sought cooperation to achieve prosperity and wellbeing for their populations, often in the context of great distance from relevant urban centres. Significantly enough, regional partnerships in Canada have been particularly keen on enhancing cooperation on sustainability and environmental matters, given the central importance of economic resilience and the preservation of natural resources and local biodiversity in both Canadian society and the economy.

The impact of regional rural-urban cooperation on sustainability measures adopted by small municipalities has been analyzed in a study on the evolution of two distinct rural-urban partnerships in the Canadian province of Alberta: the Calgary Regional Partnership (CRP), and the SouthGrow Regional Initiative centred on the urban centre of Lethbridge close to the border with the United States. The study included municipalities with a population ranging from 500 to 6,000 inhabitants, with the exception of one larger town of about 18,000 inhabitants.[187]

The CRP is a member-centred platform of 14 members, managed by a Board (with representatives of all member municipalities); three 'themed' Steering Committees; and an Executive Committee. The partnership has been responsible for the implementation of a number of projects – most notably the Calgary Metropolitan Area, which manages the proximity relations of Canada's third most populous city. The CRP is guided by five principles that shape the community's shared vision for the area: protecting the natural environment and watershed; fostering the region's economic vitality; accommodating growth in more compact patterns; integrating efficient regional infrastructure; and supporting all these advances through a regional governance approach.[188] It should be noted, however, that at least one small municipality left the partnership because the population was not in favour of adding what was perceived to be an additional layer of government, regardless of how strongly the objectives and outcomes of the partnership were felt. SouthGrow is a smaller partnership of 22 small communities, aiming to 'accelerate and enhance economic development and sustainability for the region'.[189] The partnership identifies one of its goals as 'providing south-central Alberta with a unified voice on regional priorities'.[190] The two experiences show how rural-urban partnerships are capable of mobilizing the common interests of communities whose economic development and social integration are shared, located as they are on the fringes that divide urban settlements from the rural environment. At the same time, they also show that complex, institutionalized frameworks of cooperation are not necessarily an effective response to these challenges – especially where the creation of new institutions or duplication is valued less than effective problem-solving.

Ultimately, the experience of Alberta highlights the relevance of certain key features of a successful rural-urban partnership: concerted and consensual governance and mission; trust and confidence, elicited by accountability and decisional transparency; collective participation in the definition of common goals; a cost-efficient cooperation framework; and a supportive institutional and legal framework at all higher levels of government, including the regional as well as the national or federal.[191]

mobilize the actors and stakeholders from involved communities and engage them in articulating common goals and a shared vision, providing them with the institutional, political and economic resources necessary to fulfil these. In this regard, rural-urban partnerships have a direct impact on regional development as galvanizers of participation and catalyzers of growth opportunities. But they also have an important effect on the governance of regional and rural-urban relations: successful partnerships raise the issue of the effectiveness of existing policies and governance institutions, and question the need (or lack thereof) for additional tiers of government to maximize the impact and potential benefits for their communities.

4.3 SMALL TOWNS, RURAL-URBAN SYSTEMS AND REGIONAL DEVELOPMENT

For most regional planning policies, small towns can contribute to regional and rural development in five main ways:[192]

- **By acting as centres of demand/markets for agricultural produce from the rural region**, either for local consumers or as links to national and export markets. Access to markets is a prerequisite to increased rural agricultural incomes, and the proximity of local small and intermediary centres to production areas is assumed to be a key factor.
- **By acting as centres for the production and distribution of goods and services to their rural region**. Such a concentration is assumed to reduce costs and improve access to a variety of services, both public and private and for both rural households and enterprises. Hence, services include agricultural extension, health and education (and access to other government services), banking, post, services of professionals such as lawyers and accountants, lower order services such as bars and restaurants, and wholesale and retail sales of manufactured goods from within and outside the region.
- **By becoming centres for the growth and consolidation of rural non-farm activities and employment,** through the development of small and medium-sized enterprises or the relocation of branches of large private or parastatal enterprises.
- **By attracting rural migrants** from the surrounding region through demand for non-farm labour, thereby reducing pressure on larger urban centres.
- **By managing natural resources in ways that respond to the needs of growing rural and urban populations,** with special attention to protecting resources in the face of local and global environmental change.

BOX 4.4 POSITIVE RURAL-URBAN INTERACTIONS IN VIETNAM'S MEKONG DELTA[193]

In Vietnam's Mekong Delta, the production of fresh speciality fruit has increased in response to growing demand from urban and rural households. Large villages have become market nodes where traders play a critical role. Unlike large-scale supply chain operators, these well-connected traders are able to absorb all qualities and quantities of fruit, which they can then distribute to different consumers through their wide-ranging networks. This is extremely important for small-scale producers. Trade-related activities including grading, processing, packaging and transport employ growing numbers of local residents who can thus diversify their income sources and increase their financial resilience. With higher incomes there is also increased demand from local residents and rural residents alike for services such as hairdressing, restaurants and cafés, access to goods such as cooking gas, and so on. These large urbanizing villages effectively fulfil the functions of small towns. Critical factors that enable this are relatively equitable access to land and water, good roads connecting the villages to larger urban centres and to the surrounding rural settlements, and electricity and communication infrastructure. In addition, employment opportunities in manufacturing mean that a large proportion of farming households can rely on remittances from migrant workers to finance agricultural innovation in response to demand.

The empirical evidence available, however, shows great variations in the extent to which small and intermediary urban centres fulfil these roles. Much of this relates to the specific context in which such centres develop, to land-owning structures, the quality of transport and communications links, and the structural conditions prevailing at the local and national levels, and often even internationally.

Many successful small towns develop in close symbiosis with their surrounding rural areas, and their fortunes are interlinked with those of specific commodities. While the majority of their residents usually engage in non-farm activities, these are closely related to agricultural production or to increasing demand from farmers whose incomes are growing as a result of successful agriculture. Box 4.4 gives an example of such positive rural-urban interactions in Vietnam.

However, there are great variations in the extent to which small urban centres and large urbanizing villages can fulfil their development role; and this is often reflected

in their demographic changes. While many small towns have high annual population growth rates, many of them stagnate or lose population. The close relationship between agricultural production and small town development is illustrated in Ghana's Central Region by the decline of the urban population between 1970 and 1984 from 28.5% to 26.5%, whereas national levels of urbanization continued to grow. This was due to the collapse of international prices for cocoa, a commodity central to the economy of the Central Region. As people moved away in search of alternative income-generating activities, small towns where the population had shrunk to below the urban threshold were reclassified as rural settlements.[194] In Hungary, the shrinking of small towns is linked to the erosion of their functions, increased mobility especially of younger generations, and the spatial withdrawal of the state from rural areas.[195]

A key difference between growing and declining settlements seems to be the relative diversity of their economic base. The specific context is important here, including the nature of the crops produced in the surrounding rural areas: whether they provide opportunities to generate added-value through local processing and whether they are perishable produce that cannot be transported in bulk and require local grading, processing and packaging and rapid transport to final markets, as is the case for horticulture. It is only when the added-value thus generated is retained and invested locally in both farm and non-farm activities that small towns grow and stimulate the development of the surrounding rural regions.

The example of Vietnam also highlights the importance of traders. In policy debates on food security, there is a growing interest in short food supply chains. However, these often emphasize the spatial dimension of short chains - such as the role of urban and peri-urban agricultural production in providing incomes and improving the diets and nutritional levels of urban residents, and the potential contribution it can make to the balance of ecosystems. This tends to overlook the crucial non-spatial dimensions of short food chains, which link rural and urban areas through networks of producers, traders and consumers and whose nodes are based in small urban centres - in contrast to the 'long, anonymous supply chains characteristic of the industrial mode of food production'.[196]

In agricultural regions where production is dominated by large commercial farms, small local towns may not play a significant role as market nodes. As large volumes of cash crops bypass local centres, the low wages of agricultural workers do not stimulate demand for goods and services (see Box 4.5). Even where production is mainly by small-scale farmers but integrated into global export value chains, rapid changes in requirements can deeply affect local economies. In southern Ghana, pineapple production for export markets drove local agricultural growth from the 1990s to 2005. But a switch by buyers from large to smaller, sweeter types of fruit, better grown in Central America than in Western Africa, decimated local production, resulting in the stagnation and often the economic and

BOX 4.5 CATTLE RANCHING AND REGIONAL URBAN CENTRES IN HUETAR NORTE, COSTA RICA[197]

Huetar Norte is primarily a cattle-producing region for foreign markets, although since the implementation of structural adjustment programmes in the 1990s this has been complemented with export-oriented crops. Generous credit facilities were allocated to cattle ranching in the 1970s, supported by loans from the World Bank which had made the production of regular quality hamburger meat the keystone of its credit policy in Central America. Large ranchers were preferred over smallholders, increasing inequality in the land-owning structure. Indeed, cattle ranching caused much rural unemployment, especially among the growing number of landless labourers and evicted smallholders, which in turn triggered the occupation of forest lands, and soil erosion.

Despite the fact that 21% of national cattle stock is grazed in this region, large slaughterhouses and small rural facilities were not located in Huetar Norte. By-passing the regional centres in favour of the capital city, San José, was the result of a powerful alliance between export ranchers in Huetar Norte and politicians and state bureaucrats in San José. Broadly speaking, government policy induced the rapid exploitation of regional natural resources at the expense of sustainability, and of the employment and incomes of a considerable proportion of the region's population. While local centres such as Ciudad Quesada have grown, mainly through the provision of credit services, this growth has been largely parasitic. The creation of wealth and employment in the processing of the region's main agricultural produce has on the whole bypassed regional small and intermediary urban centres.

demographic decline of small towns. Similar dynamics are increasingly taking place in other regions, including Europe.

Access to decent road and transport infrastructure is another critical factor enabling small towns to fulfil a role in development. Connections to a network of rural and urban settlements provide wider scope for social and economic interactions than dependency on just one urban centre.[198]

Despite the generally limited role of small urban centres in regions dominated by commercial farms, they can nevertheless play an important role as local markets for low-income rural residents, albeit as part of a survival strategy rather than as engines of economic growth. The small town of Banket, in Zimbabwe, lies in a rich agricultural zone. It was established in the colonial era to serve the needs of white commercial farmers and, with a population of 10,000, it still serves as a service centre for the surrounding rich commercial farms. Waged farm workers are among the poorest of Zimbabwe's population, earning far less than the national rural food poverty line and the total consumption poverty line. When there is a need for quick cash, for example to pay school fees, finance a funeral or buy basic necessities, farm workers take commodities to the market in Banket. This activity is not regular, however, and because of the tight work schedules, workers often send children or unemployed relatives to town.[199]

While links with agricultural production are often the key to the economic success of small towns, there are other drivers that can be just as important in different contexts. The economic development of the town of Gutao in China's Shanxi province relies mainly on tourism, having gained world heritage status under the command of China's central government and despite initial resistance from town and county authorities.[200] Mining is another important driver of the development of small towns, especially but not exclusively in Sub-Saharan Africa. However, it can be highly unpredictable, especially when dominated by small-scale, informal operators. Mining's ability to attract workers, especially migrants, depends on how mineral-rich the mining site is, how quickly the extractable minerals are depleted, and how many alternative sites there are.[201]

In high-income countries where agriculture is a minor component of GDP and employment, industrial clustering has attracted more attention since the 1980s. Clusters are defined as sectoral and spatial concentrations of firms which benefit from a range of localized external economies that lower the costs for clustered producers. These include: a pool of specialized workers; easy access to suppliers of specialized inputs and services; and quick dissemination of new knowledge. Much of the literature on industrial clusters draws from European, Asian and Latin American experiences and the consequences of clustering for sustained economic growth have been mixed, with successful examples in Europe and less successful examples in low-middle income countries, suggesting that institutional systems and infrastructure are key factors.[202]

With regard to environmental protection, it is assumed that small towns are able to ensure that natural resource management responds to the needs of all economic sectors in different locations. In many instances, however, there is latent or even open conflict over the use of natural resources such as land and water for agriculture or for urban residential and non-farm productive activities**.** Especially for small towns in the proximity of large urban conurbations, competition for natural resources can benefit large urban-based firms and higher-income residents at the expense of low-income 'rural' residents. For example, industries relocated in peri-urban areas can occupy agricultural land or discharge polluting effluents into water used for domestic and agricultural use by rural settlements and small towns.[203] Non-farm enterprises located in small towns can also have a negative impact on the local environment, as access to

Photo: Dave Collier - Byblos (Lebanon).

industrial areas with adequate infrastructure and environmental protection such as water treatment plants may not be affordable for small-scale enterprises. But in many cases, local governments are more interested in local economic growth; in China, for example, where GDP growth remains the most important factor in assessing local government officials' performance, the effectiveness of environmental policies is limited by a lack of local participation, especially of residents and small-scale businesses.[204]

In the context of disaster risk reduction, the growing interest in the vulnerability of urban centres to climate change and other hazards focuses largely on cities of more than 1 million inhabitants. Small towns – especially in low-income countries - are often overlooked despite their exposure to environmental hazards and their demographic significance. In many cases, the absence of functioning local governments is a key factor increasing the risks faced by small towns.[205]

Finally, as mentioned earlier, **migration and remittances are important elements of the development of small towns**. In many cases different migrant flows overlap: for example, in Senegal, Bolivia and Tanzania, remittances from migrants to cities and international destinations are used to pay seasonal wage labourers coming from poorer rural areas, thus filling labour shortages on family farms.[206] In Vietnam's Mekong Delta, employment in manufacturing within the region has provided capital to invest in high-value fruit production,[207] and similar links between remittances and agricultural production have been documented in Africa[208] and in Pakistan.[209] In many cases, remittances from both internal and international migrants have a positive impact on their relatives' wellbeing and on local economies. But such impacts are also complex and contradictory, especially at the local level, and can transform governance systems as well as affect the management of natural resources. In the Senegal River Valley's small towns, international remittances have long been a key element of local economies and have enabled communities to withstand recurrent economic and ecological crises. Migrants have become powerful interest groups as decentralization has opened up opportunities to participate in local politics. While this helps foster local democracy, it can also result in social polarization as migrants gain control over the management of land, a preferred means of reinvesting remittances.[210] In El Salvador and Guatemala, remittances from international migrants in small and intermediary urban centres has triggered a construction boom of luxury gated communities and the extension of urban areas has almost doubled, while the state has retreated from housing provision. This has resulted in house price inflation as well as environmental degradation, as weak municipal planning agencies are unable to protect hydro-geological systems.[211]

In summary, the potential role of small urban centres is largely determined by the wider economic, social and political context. For example, in the case of Vietnam's Mekong Delta (Box 4.4), a crucial factor has been the growing demand for higher value fresh fruit throughout the country, as both rural and urban incomes have grown substantially in the past two decades.[212] Indeed, so long as issues of social and spatial polarization are not addressed, it is unlikely that small towns and regional development policies can effectively contribute to sustainable development and poverty reduction.

Figures 4.1 and 4.2 summarize the key factors that support positive rural-urban regional development. They include:

- Within rural regions, equitable access to farming assets, including land and water – so that farmers can benefit from better access to urban markets which in turn creates demand for urban goods. High levels of inequality generally tend to stifle local development, as wealthier élites and large corporations do not necessarily reinvest their profits locally and generalized poverty does not generate sufficient demand for manufactured goods and services.
- Local urban centres where enterprises add value to local produce, generating non-farm employment and reinvesting locally, thus contributing to the diversification of the local economic base. This needs to be supported by public investment in infrastructure and services, which in many cases only happens once the settlement gains urban status and local revenue can be raised through local tax collection.
- Access to national and international markets. This can benefit small-scale producers as long as it is part of a wide range of consumer markets.

Interestingly, in the case of negative (extractive) rural-urban interactions, small towns are conspicuously absent from this debate.

Especially for small towns in the proximity of large urban conurbations, competition for natural resources can benefit large urban-based firms and higher-income residents

Figure 4.1 **Positive rural–urban interactions and regional development**

Source: Tacoli (2003)

INTERNATIONAL CONTEXT: access to international markets for small and medium-sized producers with stable commodity prices. Foreign investment supports local production, imports do not compete with locally produced goods.

NATIONAL CONTEXT: equitable distribution of and access to land; regionally balanced growth strategies including satisfactory provision of infrastructure, credit facilities for small and medium-sized producers, and basic services (education, health, water and sanitation); revenue support to local government; regulated institutional structure of markets.

LOCAL GOVERNANCE: accountable, with adequate resources and capacity; identifies local needs and priorities and responds to them; supports forward and backward linkages between agriculture and services and industry located in local urban centres; regulates local natural resource management; integrated with national planning.

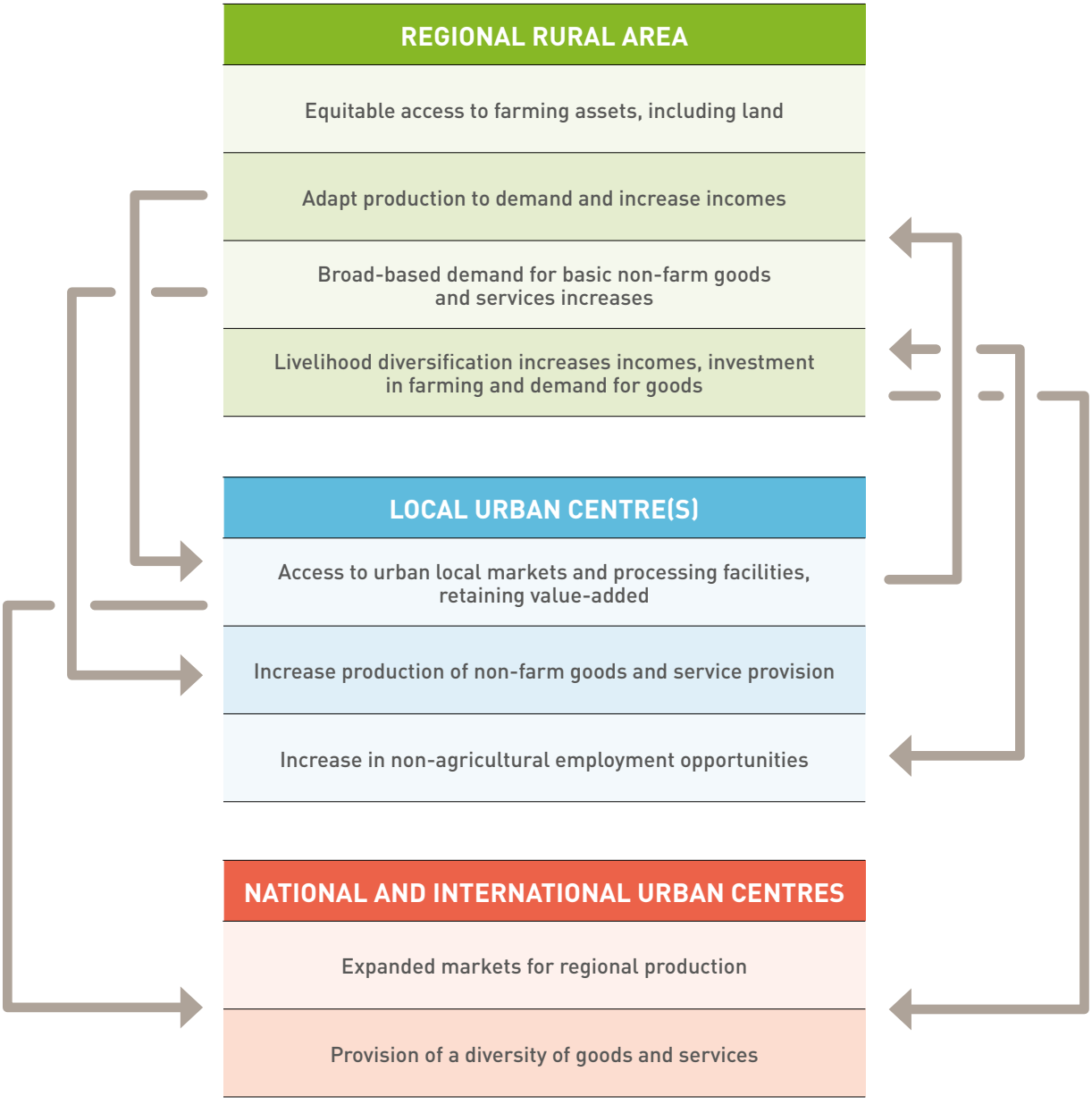


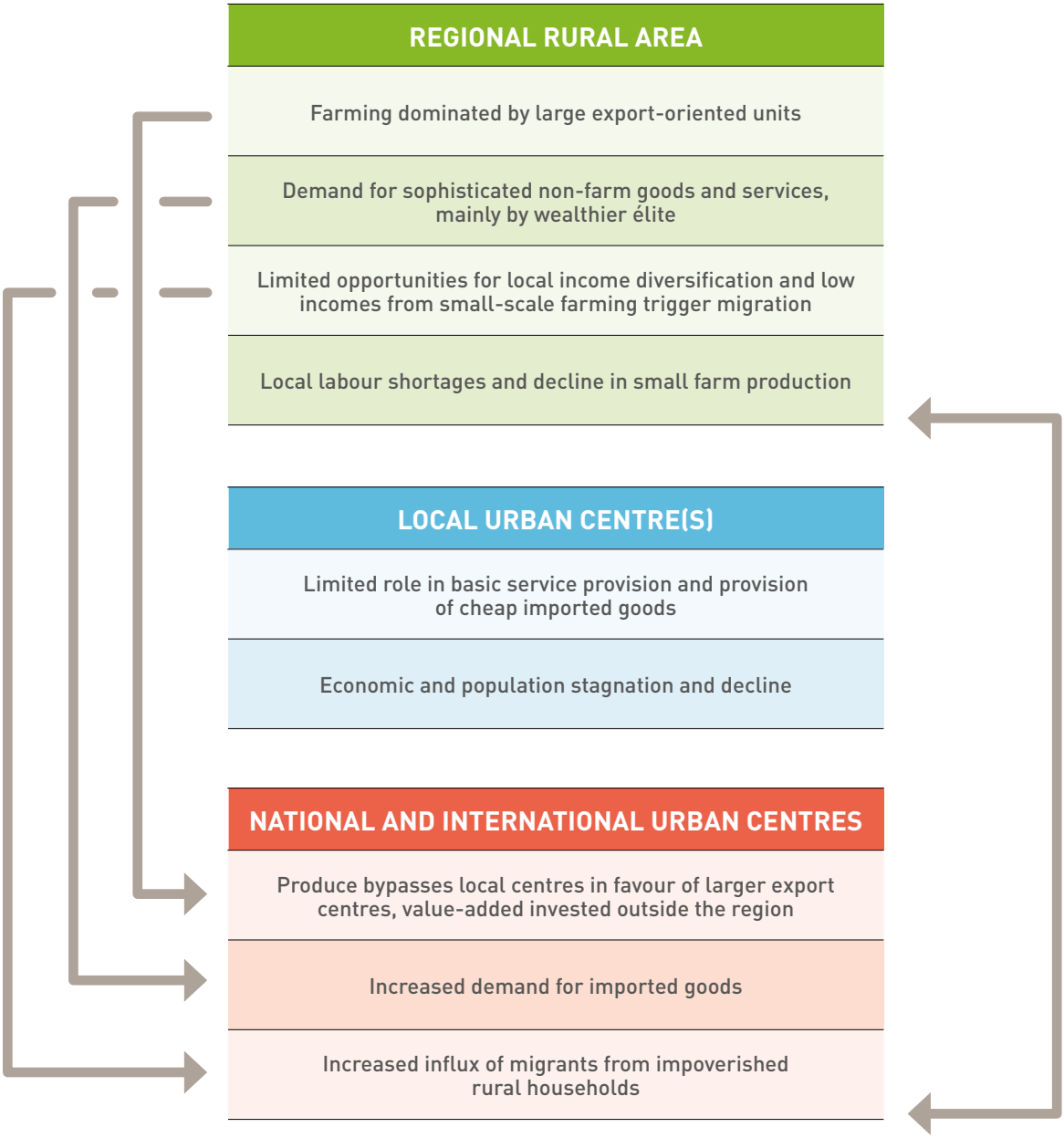
Figure 4.2 Negative rural–urban interactions and regional development

Source: Tacoli (2003)

INTERNATIONAL CONTEXT: limited access to international markets for small and medium-sized producers; unstable commodity prices; foreign investment concentrated in large-scale export production; imports compete with locally produced goods.

NATIONAL CONTEXT: inequitable distribution of and access to land; regionally imbalanced growth strategies including limited provision of infrastructure, credit facilities for small and medium-sized producers, and basic services (education, health, water and sanitation); lack of support to local government; unregulated institutional structure of markets.

LOCAL GOVERNANCE: unaccountable, with inadequate resources and capacity; not integrated with national planning.



4.4 GOVERNANCE AND TERRITORIAL DEVELOPMENT

What are the most appropriate policy tools to support small towns, given their central role in regional and sustainable development? In the past years there has been a renewed interest among international agencies in regional development and, by implication, in the role of small and intermediary urban centres.[213] Much has been written about the nature and shortcomings of various policies that, since the 1960s, have been implemented to promote the role of such centres in territorial and regional development, and a relatively large body of literature has identified the key reasons for the high rate of failure.[214]

The first and perhaps most important is the introduction of macroeconomic policies, pricing policies and sectoral priorities (including policies related to agri-food systems) that do not make explicit reference to spatial dimensions. Equally important are issues of land tenure and security: evidence from successful small town development shows that equal access to land and secure tenure is a crucial factor. Neglecting the powerful influence of such policies has often been, and potentially still is, a major reason for the failure of local and territorial development policies, as sectoral investments can increase poverty and exacerbate social polarization. This severely undermines the ability of small towns to act as engines of local economic growth and poverty reduction, which requires a relatively broad base of producers and consumers alike. Examples presented in earlier sections - including cases of growing as well as shrinking small towns - show that what happens at the local level reflects policies and strategic choices made at the macro level. The implications for governance are clear: small local governments cannot support local sustainable development if there is no synergy with national and supranational levels through regular and systematic dialogue.

A second, but equally important, reason is that **in many cases policies do not take into account context-specific factors that shape opportunities and constraints for local**

Photo: Joshua Zader - La Valletta (Malta).

development. As the examples presented in this section show, there is a huge diversity in the demographic trends, socio-economic base and functions of small towns, both between and within regions and national territories. This calls for adequate information and reliable data - both about local needs, priorities and resources, and of the impacts of narrowly defined sectoral policies - in order to support the design and implementation of effective local initiatives. In most low and middle-income countries, the general lack of sub-national data undermines local government action. This includes economic activities, especially the large proportion of informal sector enterprises and wage labour; demographic changes due to migration and mobility, especially seasonal and temporary movement; and poverty and vulnerability characteristics, including non-income dimensions such as access to housing and basic infrastructure. Access to relevant and reliable data is especially important if local governments are to respond to the substantial challenges they face, including the provision of basic services and essential infrastructure that serves the needs of all groups (especially low-income ones in rapidly growing small towns as well as in shrinking ones with ageing populations); and, crucially, that is resilient to environmental hazards and the impacts of climate change.

A third reason is that while local institutions and local governments are increasingly recognized as central to regional development, this has not been accompanied by an appropriate fiscal and financial architecture that enables local governments to perform their growing role.[215] As mentioned above, small towns and rural municipalities accross the world are characterized by huge diversity. However, the lack of a generally accepted definition forces analysts to put rural villages of a few hundred inhabitants together with national capitals such as Belize's Belmopan (16,400 inhabitants) or Valletta (6,600 inhabitants), the capital of Malta, i.e. the fifteenth largest economy in the European Union (in terms of GDP per capita).

This implies a functional mismatch: in spite of having the same size or population, such diverse settlements and small towns develop a completely different relationship with their surrounding territory and hence serve different functions and develop different needs and objectives. On Russia's Arctic coast, the autonomous *okrug* ('area') of Nenets hosted a population in 2011 of about 42,000 inhabitants, settled in just one town (Naryan-Mar), two 'urban-type' settlements with 17 rural councils spread over an area comparable to that of Uruguay. In contrast, France, in an area just 3.5 times larger, had in 2016 35,585 *communes* or municipalities, with a median municipal area of just 14.8 km^2, the lowest in Europe - about 27,600 of which have fewer than 1,000 inhabitants. In spite of these differences, a Russian village in extreme climatic conditions and a tiny hamlet on the crowded map of French *communes* are considered analytically to be part of the same group. India provides another example of this diversity: the country has approximately 265,000 local governments in rural areas – *gram panchayat* – whose population ranges from large *gram panchayat* of hundreds of thousands of inhabitants to small villages of 500 people.

While these features and structural conditions hinder efforts to find a comprehensive and overarching governance roadmap to address the diversity – and uniqueness and richness – of small towns around the world, they are a useful reminder of the key political role they play within their territories. Small towns are the last link – and an essential one – in the local democracy chain. They constitute the most proximate level of democratic representation and participation for a significant part of a country's population. **Through its 'capillary' network, small towns represent the state, its administration, its functions and its legal and social guarantees to the smallest and most remote parts of nations and their territories**. Size or isolation do not necessarily translate into detachment or irrelevance. In Canada in 2013, 'the average voter turnout in Quebec municipalities with populations under 2,000 persons was 63.8% and around 43.4% in municipalities with populations greater than 100,000 inhabitants'.[216] In the Netherlands throughout the 1990s, voter turnout in municipalities of 5,000 inhabitants or fewer was above 70%, a figure that dropped to less than 60% in cities of 100,000 inhabitants or more.[217] The French Association of Rural Mayors (AMRF), in one of its frequent mobilization campaigns, used slogans such as 'Electoral participation in rural villages: 80%' or 'Rural villages: 92% of all towns, 33% of the population' to raise support and recognition for the myriad small towns that form the bedrock of the country's society. Small towns and rural municipalities are an essential cog

Small towns constitute the most proximate level of democratic representation and participation for a significant part of a country's population

BOX 4.6 SMALL TOWN ORGANIZATIONS AND TERRITORIAL DEVELOPMENT

In spite of the limited recognition they are given in public and political debates, small towns – especially those that act as catalyzers of activity, growth and participation in rural areas – play a fundamental role in the democracy of a country. Many small and rural municipalities have decided to reclaim their relevance in the urban and democratic systems of their countries, and mobilize consensus and support for their administrative, socio-economic and political actions.

The development of a more institutionalized framework for inter-municipal cooperation in France's reformed territorial legislation has allowed rural municipalities to organize, pool their resources together and fight for visibility and centrality in the renewed decision-making process. The French Association of Rural Mayors (AMRF) has been a vocal representative of the interests and demands of small municipalities across the national territory. Established in 1971, the association today represents over 10,000 small towns in rural France, committed to ten basic principles, including the defence of municipal freedom; balanced, fair and co-owned regional planning; economic dynamism and the fight against rural desertification; and enhanced cooperation with nation-wide actors that share the same vision of territorial democracy. The AMRF has a long-standing history of visible, effective communication campaigns to mobilize participation and raise awareness of rural small towns and the strong relationship they have with their territory and regions.[218] The AMRF now has a significant role on the decision-making stage of regional development, mostly through its constant presence and a proactive agenda of mass communication and engagement. The association manages a nation-wide publication – 36000 Communes – that broadcasts current news and events for small towns and their organizations.[219] Their slogans and campaigns include catchy, streamlined ideas such as 'The town is the basic unit of democracy'; 'My town is useful!'; 'Who represents my townspeople, if my mayor has no power to act?'; or 'You build inter-municipalities, you don't decree them'. These messages refer powerfully to key structural problems that affect towns, territories and their development, such as rural towns' lack of financial capabilities, institutional marginalization, and the persistent lack of focus on small towns as the most proximate level of democratic government.

In Peru, the REMURPE association has emerged as the voice for smaller municipalities wanting better territorial governance. The organization promotes a network of Peruvian towns – particularly rural ones – to pool resources and attain a critical mass of local governments, with the aim of strengthening the country's decentralization process and providing further resources for territorial development. REMURPE represents the interests of these towns in its formal and informal dialogue across all levels of government and with all stakeholders, including the third and private sectors. Its activities include knowledge-sharing, awareness-raising initiatives, creation of databases and expert pools, inter-municipal best practice exchanges, and policy planning. REMURPE coordinates with Peru's National Assembly of Regional Governments (ANGR) and the Peruvian Association of Municipalities (AMPE). Its activities are based on four key principles: inclusion, transparency, citizen participation and decentralization.[220]

In Europe, the Confederation of Towns and Municipalities of Europe (CTME), a network of small town and rural municipality associations from France, Germany, Hungary, Italy and Romania, advocates for the interests, vision and goals of small towns across Europe. The Confederation aims to establish contact and dialogue with EU institutions to empower small towns as a key component of effective and transparent local governance and democracy. The CTME has championed the creation of a European urban agenda for smaller towns. It endorses the empowerment of small towns within the framework of the EU's energy policy – especially with regard to infrastructural investment and environmental impact - with a constructive dialogue with the Global Covenant of Mayors for Climate and Energy (see also Section 2.3.4 in the Intermediary Cities chapter); and it has actively promoted the enhanced participation of small towns and rural areas in the European digital agenda, to address structural deficiencies and the persisting digital divide that has long affected these communities.

in the democratic mechanism, but a lack of resources and capabilities are marginalizing their presence in national policy-making arenas, as well as in the public and political debates of many countries. Most analyses – even recent studies on the role of small towns – still focus primarily on the economic aspects of their integration into national systems. More attention should be paid to the valuable contribution that small towns can make to more efficient and transparent territorial development and a more proximate and effective local democracy (see Box 4.6).

Emerging approaches do emphasize the opportunities that exist in places outside large urban centres – including small and intermediary urban centres – for economic growth and development, and call for development strategies that mobilize assets and harness complementarities at the regional level.[221] The notion of rural-urban partnerships starts with the recognition that urban and rural areas interact through a broad set of linkages. Local and regional governments alone are not always able to manage these interactions to foster the development of both urban and rural populations. Similarly, changes in the administrative structure of a country may not fully respond to the different relationships occurring between urban and rural areas. Rural-urban partnerships, however, have been shown to be effective in responding to the need to govern these interactions and to foster economic development and wellbeing.[222]

Examples of initiatives that aim to integrate rural and urban areas though institutional partnerships include MAREA – *La Mar, una Estrategia para Asturias* - which combines environmental, economic and socio-cultural objectives through an integrated strategy that builds on good governance, research and innovation and a greater role for public institutions at all levels, from local to regional, national and European.[223] The EU programme *Liaison Entre Actions de Développement de l'Économie Rurale* (LEADER, Links between actions for the development of the rural economy), has been one of the most effective instruments in triggering these kinds of successful partnerships, especially in rural areas. This programme, through the creation of Local Action Groups (LAGs), is often the only way to launch development initiatives in marginal rural areas. In the United States since the mid-1950s, there has been a significant increase in Councils of Government (COGs) and other forms of cooperation agreements for the planning, financing and production of local public services. The 'county regional municipalities' (*municipalités régionales de comté*, or MRCs) in the province of Québec (Canada) is another interesting example, showing how much momentum can be achieved through an intermediate entity of this kind in rural areas.[224]

Another excellent example is the region of Emilia Romagna in north-eastern Italy. This is an economically high-performing intermediate region with well-recognized industrial districts. Between 1995 and 1999 it registered an employment growth rate of 4.2% and a GDP growth rate of about 4.5%. The region is characterized by a cultural industry of festivals, attractions and the arts. Policy-makers have encouraged networking among small and medium-sized towns, alongside specific cultural or artistic initiatives. This process of networking and specialization started as an independent initiative led by local private entrepreneurs, with informal support from regional public authorities who thought that these activities could help enhance cultural amenities, promote employment, and boost tourism.[225] The Green Paper on Unlocking the Potential of Cultural and Creative Industries[226] concludes that the spill-overs of cultural and creative industries should be strengthened for the benefit of the economy as a whole.[227]

Key findings and recommendations in the field of rural-urban partnerships include the promotion of a better understanding of socio-economic conditions in urban and rural areas, including enhancing the integration between them - a key function for national and, most notably, sub-national governments. This can be fulfilled through the production and use of data at the appropriate scale and the assessment of the socio-economic and environmental processes at work in urban and rural areas. In turn, this can increase awareness of territorial opportunities and challenges and help identify the potential for cooperation. Sub-national governments should also set up a framework to help local stakeholders cooperate outside the constraints imposed by administrative boundaries. One way to do this is to encourage urban and rural actors to identify a development strategy or projects around functional geographies, which should be flexible and embrace different potential rural-urban interactions.

Through its 'capillary' network, small towns bring the state, its administration, its functions and its legal and social guarantees to the smallest and remotest parts of nations and their territories

Using common planning instruments that allow urban and rural areas to jointly manage common challenges and opportunities should be encouraged.[228]

In many cases, involving the private sector proves to be challenging, despite its crucial role in connecting different elements of the regional economy.[229] In low and middle-income countries, this often overlaps with local governments' lack of knowledge and suspicion of the informal sector. However, as the example of Vietnam (Box 4.4) shows, traders and other private sector players play a central role in supporting economic growth. A study of small towns in New Zealand shows that while local government action is increasingly constrained by shrinking technical and financial support, local entrepreneurs and community leaders who support the towns are instrumental in driving change. Such change includes new economic activities and diversification as important components of local economic resilience.[230] This demonstrates that civil society and local, often small-scale, private sector actors are both key stakeholders and as central to the success of territorial development initiatives as public institutions.

But perhaps the key message is that while local governments in small towns can - and should - have a major role in ensuring the provision of services and supporting local economic development, they cannot solve the fundamental issues behind rural and urban inequalities. As mentioned above, these depend largely on national and regional policies. Successful decentralization thus requires a better fit between national macroeconomic and sectoral policies and local and regional development strategies, while synergy and collaboration between local and regional governments and national ministries are essential to the implementation of territorial development policies.

Photo: Paulo Fassina (Mongolia).

5.

CONCLUSIONS:
SHAPING THE AGENDA FOR TERRITORIES

The wellbeing of a significant share of the world's inhabitants is intrinsically linked to the dynamism and sustainability of small towns and rural areas, home to 12.3% and 45.9% of the world's population respectively. Their relevance in development policy has increased significantly in past decades, partly a consequence of decentralization and regionalization processes across all world regions, and partly as a result of globalization which, paradoxically, has emphasized the importance of territorial scale to the processes of growth and development.

If adequately empowered, small municipalities and regional governments have the potential to make important contributions to poverty alleviation, economic growth, social inclusiveness and the preservation of natural resources, while overcoming a rigid rural-urban dichotomy.

The 2030 Agenda proposes a new development paradigm whose transformative power is both integrated and inclusive. It tends to ignore, however, the 'territorial' implications of the majority of its goals and targets (with the exception of SDG Goal 11 on cities and human settlements). This is why the demand for the 'localization' of the SDGs has become so important in the global debate.[231]

Indeed, as developed in analyses elsewhere,[232] the achievement of a majority of the goals of the 2030 Agenda, as well as of the New Urban Agenda, requires a wider territorial approach to localize these goals. Evidence suggests that the strong involvement of small towns and rural municipalities, as well as regional governments, will be necessary; and that they should figure more prominently in the economic, social and environmental development agendas of developed and developing countries alike.

Despite the fact that regions, small towns and rural municipalities are far from being homogeneous territorial units, this chapter has provided insights relevant to territories of all sizes. It has highlighted features that can inform the design of a wider territorial approach to generate social and economic development and promote environmental sustainability.

5.1
THE EVOLUTION OF REGIONAL GOVERNANCE: A SIGNIFICANT INSTITUTIONAL AND CULTURAL SHIFT

Institutional reforms during the last two to three decades have enhanced the role of regions as a result of an emerging 'new federalism' as well as 'regionalization' processes within the framework of decentralization. Federated states (provinces or *Länder*) in federal countries, and regions (departments or counties) in unitary countries have been entrusted to promote economic, social and environmental development in their territories. This has introduced some significant political shifts within a traditional state-based order (as outlined in Box 2.5).

The nature and extent of the devolved powers, however, varies significantly from country to country and even within countries, particularly where decentralization has been uneven, partial or implemented asymmetrically. The difference between federal and unitary states in terms of sub-national governments' fiscal autonomy and relevance is particularly important. In many unitary countries, the process is still embryonic. Regionalization and decentralization of resources have not been

More coherence and coordination is needed, not only between national and sub-national policies, but also at the inter-ministerial level of central government

commensurate with devolved responsibilities, and have often failed to adequately empower regional governments. There is, therefore, still a long way to go to create an enabling legal and institutional environment to harness the potential of regional governments.

'Regionalist' approaches have only been partially successful, if one considers emerging regions that have favoured new governance arrangements. Globally, the influence of regions in policy-making at national and supranational levels is still limited. Old institutional hierarchical relations continue to dominate. As argued throughout the report, in decentralized contexts a shift in the relationship between different levels of government and the creation of MLG mechanisms are essential. This implies a deep transformation of institutional and policy behaviour (i.e. 'a paradigmatic shift'). Different countries have already been developing and using an array of MLG mechanisms, some of which have been mentioned briefly. However, it will take time to transform the asymmetrical, often hierarchical, relationships between national and sub-national levels of government that continue to prevail, hindering the effectiveness of decentralization processes.

To encourage endogenous growth in all regions, national governments should consider adopting a more partnership-based approach to the design of policies and financing

More coherence and coordination is needed, not only between national and sub-national policies, but also at the inter-ministerial level of central government (e.g. between regional policies, national urban and rural plans, and strategic infrastructure plans) and in the relationship between regions and their territory's administrative units.

As this section argues, the establishment of MLG as the policy-making mechanism of choice for collaborative and integrated development strategies can benefit local governance in a number of ways. However, as stressed in the report, this comes with certain inherent risks. MLG should be seen as a **complement, and not an alternative, to a better, more autonomous and ambitious self-government for regional and local authorities**.

An adequate MLG framework should ensure that decentralization processes are as efficient as possible. However, this model should respect some principles – **subsidiarity, local democracy and autonomy** – to guarantee that regions and local governments are self-reliant, interdependent and co-responsible for decisions that affect their communities and territories directly. This notwithstanding, for sub-national governments at all levels – from regions to small municipalities – MLG is still a key instrument to shift the paradigm that sets their expectations and goals, from claiming more autonomous competences to contributing to the good functioning and delivery of comprehensive public policies. Building on the practices and examples that have already spread across the globe, MLG can help regional and local governments to put their own agendas forward and take part in national and international policy-making to shape new governance models better adapted to future challenges.

5.2 TOWARDS A RENEWED APPROACH TO TERRITORIAL DEVELOPMENT

As presented in this chapter, two parallel processes (decentralization and the failure of top-down development policies) have led to the emergence of a new concept to initiate tailored regional development policies: the **territorial approach to development (TAD).** This fosters a dual process – local to national and vice versa – in facilitating local initiatives, promoting new mechanisms and engendering more coordination between national and local development strategies.

The limited effects of previous traditional top-down policies to support balanced regional development have, over the last decade, triggered the advent of more place-based territorial development strategies that centre on key concepts such as 'regional endogenous development' and 'competitiveness'. In the aftermath of the 2008 crisis and facing budgetary constraints, many sub-national governments began to reassess the effectiveness of policies that failed to maintain a comprehensive regional and cohesive approach and that increased inequalities between regions.

As an alternative to these trends, the TAD promotes more tailored regional strategies that integrate the needs and priorities of local actors and boost endogenous, integrated and incremental (but also more sustainable and inclusive) social and environmental development. The aim of the TAD is to involve the whole territorial spectrum to ensure social cohesion and a more balanced territorial development.

Inevitably, the potential of this alternative will largely depend on the form of state, the extent of decentralization and the degree of empowerment enjoyed by sub-national authorities. A brief review of regional policies in different developed and developing federal and unitary countries highlighted some critical differences. In federal countries, federated state/provincial governments are increasingly leading regional planning, while in unitary states regional government strategies are more variable – from very active to passive – and they often have less room for manoeuvre due to financial constraints. In the majority of examples analyzed, weak coordination and ownership of divergent strategies between different levels of government appears to be a persistent problem.

Regions, as intermediary levels of government between the national and local levels, have a vested interest in leading and coordinating regional development strategies and planning more efficiently. In many countries, however, the inconsistency of decentralization policies and limited local capacity hampers the strengthening of regional governments' role as drivers of local development strategies.

To encourage endogenous growth in all regions, national governments should consider adopting a partnership-based approach to the design of regional policies and financing. In turn, regional and local governments should help generate a bottom-up approach to scaling up regional dynamics. These dual processes could help change the way they approach regional development policies.

The chapter analyzed two strategic areas where regions are taking the lead and where collaboration between different levels of government is progressing: the economic and environmental policies of regions. The chapter highlights the fact that opportunities for growth exist in all types of regions, and that localized approaches improve the resilience of territories to face the volatility of the global economy and lead to a more equitable distribution of the benefits of economic growth, both within and between territories. It also suggests that territorially-specific economic development is understood to be a product of both participation and social inclusion, with an implicit focus on the creation of employment.

Many of the initiatives highlighted in this chapter require the support – and sometimes the leadership – of national governments. Some of the experiences that have proliferated in past years (e.g. techno-parks or Special Economic Zones) though sometimes successful, are not without drawbacks.

Regional governments are responsible for the design and implementation of laws and policies in sectors that are essential for environmental sustainability (e.g. climate change, renewable energies, biodiversity preservation, water management, protection of wetlands and coastal areas, forests and natural parks, sustainable agriculture, green technology, and food security). Again, many regional governments have taken the lead (e.g. on climate change). However, despite the fact that many of the environmental challenges require close collaboration between different levels of government, these committed regional governments have often not received adequate support from their central governments.

Coordination between national and regional policies should strengthen the interconnections and cooperation between territories, metropolitan areas and intermediary cities to facilitate a balanced territorial development. This would maximize positive economic, social and environmental effects and diffuse the advantages of specific territories and interactions between urban systems and rural areas throughout the whole territory.

Most small towns exhibit a mix of urban and rural characteristics and have inherently strong interactions and linkages with their surrounding rural environment

5.3 SMALL TOWNS, RURAL-URBAN LINKAGES AND REGIONAL DEVELOPMENT

The linkages and interactions between the 'rural' and the 'urban' have become increasingly strong and an important component of livelihood and production systems in most regions of the world. They are also central to the structural transformation of economies from largely agrarian ones to economies with high employment in manufacturing and services, accounting for a majority of a country's GDP.

As explained in detail in Section 4, small towns can be extremely diverse, but two main scenarios prevail. First, there are small cities located and engaged within a larger urban system. These are loosely distributed on the outer fringes of a metropolitan area and serve as the last urbanized interface before the surrounding countryside. They are linked with other intermediary settlements with which they share 'functional complementarities', providing services and access to services to

rural communities that would otherwise only be available around larger urban areas. Second, there are small towns located in sparsely populated areas that rely heavily on the rural economy. Since they are further from large agglomerations, **most small towns exhibit a mix of urban and rural characteristics and have inherently strong interactions and linkages with their surrounding rural environment**.

As stressed in the previous chapter, as the relationship between urban and rural areas evolves, the borders between them become increasingly blurred and the two are ever more interdependent. Rural-urban connections are strengthened by rural households' dependency on urban jobs in small urban areas or regular seasonal population flows from rural to urban environments and vice versa. At the same time, the displacement of urban dwellers to small towns and rural areas in developed countries is creating a new phenomenon of 'rururbanization' in small towns.

The global agenda for regional development will have to systematically pursue a more comprehensive territorial approach

This suggests the need to revise the long-established classification of all human settlements as either 'rural' or 'urban'. In fact, this rural-urban dichotomy tends to disadvantage – rather than support – households and businesses in smaller towns.

In line with this 'contested' rural-urban blurred typology, small towns tend to rely extensively on the financial and technical support that they receive from higher tiers of government, in particular from regional and national administrations. This has historically led observers to view small towns and rural areas as having limited capacity to develop effective and accountable local governance systems. However, as stressed in Box 4.1, small local governments are often **the crucial link in local democracy that connects public administration with people and communities in small towns and rural areas**.

There are also key differences between growing and declining settlements that should be considered, linked to the relative diversity (or lack thereof) of their economic base. It is only when settlements retain and locally invest 'added-value' in both farming and non-farming activities that small towns grow and stimulate the development of surrounding rural regions. Certain factors are key to supporting productivity and rural development: first, favourable macroeconomic policies and sectoral priorities, including secure land tenure; second, recognizing the context-specific factors determinant in creating either opportunities or constraints for local development; and third, adequate financial and fiscal tools which enable local governments to carry out their increasingly important role in regional development.

Emerging approaches to rural-urban partnerships underline the opportunities for sustainable development that exist outside large urban centres. **Rural-urban linkages create an essential space for the integration of two different worlds**, the sharing of key resources (water, land, agriculture, forestland, etc.) and the provision of key services and access to infrastructure and opportunities.

Rural-urban partnerships are also influenced by external conditions. Institutional factors, regulatory constraints and political bottlenecks, information asymmetries or lack of cooperation among involved actors, and policy-making fragmentation can all affect the effectiveness of such partnerships. On the other hand, awareness and inclusion, a deeper understanding of the rural-urban linkages that buttress the partnership, and the promotion of democratic participation and grassroots leadership that stems from this can be factors that galvanize a partnership's positive impact on the territory. The implications for governance are clear: local governments need adequate support. They cannot build local sustainable development if there is no synergy with national and supranational levels through regular and systematic dialogue.

Rural-urban partnerships are essential for mobilizing actors and stakeholders from involved communities and engaging them in achieving common goals and a shared vision, at the same time providing them with the necessary institutional, political and economic resources to do so. Moreover, they have an important role to play in the governance of regional and rural-urban relations. Successful partnerships will address the effectiveness of existing policies and governance institutions and the potential benefits of these for their communities.

The global agenda for regional development will have to systematically pursue a more comprehensive territorial approach. This must not marginalize small towns and their rural environments, but rather build on their privileged connection with the territory, their unique model of social relationships and institutionalized trust, and their immediate proximity to natural resources. These are all elements essential to the social, alimentary and environmental sustainability of territories and urban settlements.

5.4
KEY MESSAGES

REGIONAL GOVERNMENTS PLAY A CRUCIAL ROLE IN BALANCING TERRITORIES, LINKING URBAN, PERI-URBAN AND RURAL AREAS AND PROMOTING SOCIAL COHESION AND ENDOGENOUS EQUITABLE DEVELOPMENT. They perform essential functions, for example territorial planning, economic development, poverty reduction, food security, provision of strategic infrastructures and environmental management. Regions can assist and cooperate with small towns and municipalities by providing technical and financial support and capacity building. On another level, small towns are also key actors for local development and providers of essential services, with strong interactions and linkages with their surrounding rural areas and intermediary cities. Their involvement in the implementation of Agenda 2030 and the New Urban Agenda will be of the highest priority.

URBAN SETTLEMENTS ARE NOT ISOLATED UNITS. THEY ARE EMBEDDED IN TERRITORIAL SPACES AND ARE PART OF TERRITORIAL SYSTEMS. A comprehensive national regional development strategy, supported by sustainable spatial management, coherent urban and sectoral policies and multilevel governance, is essential for the success of the New Urban Agenda. This will help set national objectives, promote equitable regional growth and strong urban systems, and strengthen the rural-urban continuum in order to establish productive relationships and harmony between the different territories. National regional policy should also recognize the importance of small municipalities in order to reduce the fragility and precariousness of the environment in which they work.

INTEGRATED REGIONAL STRATEGIES CAN CREATE A PATHWAY TOWARDS MORE SUSTAINABLE, INCLUSIVE AND EFFICIENT DEVELOPMENT by promoting activities embedded in the territory (endogenous growth). This must put human values first, mobilize local potentialities and assets, and strengthen cooperation between territories and urban areas to boost complementarities and synergies. This could reduce the specialization and competition between territories and cities brought on by globalization, which has aggravated inequalities, the depletion of natural resources and led to unbalanced development between and within regions. It would also harness untapped sources of growth related to innovation and lead to the improvement of people skills.

AN ENABLING ENVIRONMENT IN WHICH REGIONAL AND LOCAL GOVERNMENTS CAN EXPERIMENT, INNOVATE AND CAPITALIZE ON THEIR RESOURCES is essential for national development that harnesses local potential. This requires adequate legal and institutional frameworks that define, for each level of sub-national government, a clear vision of responsibilities and powers, effective fiscal decentralization and financing capacities and adequate equalization mechanisms to bridge the gaps between regions. The limited financial autonomy of regional and local governments severely constrains their ability to drive local development.

MULTILEVEL GOVERNANCE CALLS FOR A PARADIGMATIC SHIFT IN THE RELATIONSHIP BETWEEN DIFFERENT LEVELS OF GOVERNMENT. Several decades of uneven reforms have shown there is no optimal level of decentralization and implementation and competences are strongly country-specific. At the same time, policy overlap is inevitable in decentralized contexts: complete separation of responsibilities and outcomes in policy-making cannot be achieved and different levels of government are interdependent. Public management thus requires multilevel governance in all cases, i.e. the reinforcement of coordinating mechanisms which help bridge the gaps (in information, capacity, funding, policy, administration, the realization of objectives and accountability) that hinder the delivery of effective public policies.

COLLABORATIVE GOVERNANCE AND COOPERATION SHOULD BE ENCOURAGED BETWEEN REGIONS, BETWEEN REGIONS AND LOCAL GOVERNMENTS AND BETWEEN SMALL TOWNS. An adequate legal framework and financial incentives should promote collective solutions and enhance synergies between territories, for example through inter-municipal cooperation, rather than ineffective inter-territorial competition. Cooperation between territories, including supranational and transboundary cooperation through alliances or networks, can also be used to make substantive contributions to development beyond immediate borders.

INTEGRATED REGIONAL AND LOCAL STRATEGIC PLANS NEED STRONG PARTICIPATION AND INVOLVEMENT OF TERRITORIAL NETWORKS AND LOCAL STAKEHOLDERS to advise on the formulation of economic development strategies, land and/or spatial planning, infrastructure planning (e.g. transport, trunk infrastructures) and sectoral policies (e.g. agriculture, education, health, environment). All levels of government (from national to regional to local), civil society, economic sectors, professionals and academia should be involved in more cohesive territorial development using simple tools and technologies. This should take into account functional complementarities, increasing economic interdependencies and population movements between rural-urban areas and regions (e.g. permanent and temporary migrations, floating populations). Small cities and municipalities have the advantage of human scale to enhance participative and consultative processes with citizens and address the lack of local relevant data in many countries.

A TERRITORIAL APPROACH TO DEVELOPMENT HELPS CAPITALIZE ON LOCAL AND REGIONAL POTENTIALITIES afforded by locations and populations, strengthening inclusive value chains, generating local employment opportunities and empowering local stakeholders to inform the design of policies to reflect local realities. Assisting these territories to engage in active local economic policies helps ensure that economic growth (and, by extension, the socio-economic benefits associated with it) is not concentrated in a small handful of geographic areas but rather distributed in a more territorially equitable way, which is crucial for national development. Supporting small towns and rural municipalities' economic activities and improving their connections to regional and national markets will also contribute to the added-value generated, retained and reinvested locally – in agriculture and non-agriculture activities – encouraging the development of small towns and surrounding regions. Particular attention should be paid to food security and strengthening cooperation with these rural areas to ensure better quality of food, support farmers and SMEs and develop shorter economic circuits while protecting biodiversity.

REGIONS CAN BE THE APPROPRIATE SCALE TO DEAL WITH KEY TRUNK INFRASTRUCTURES AND SERVICES TO IMPROVE CONNECTIVITY, STRENGTHENING TERRITORIAL INTEGRATION AND BALANCE particularly in regions with isolated and dispersed human settlements. Long-term investments remain a strategic need and require innovative approaches in order to overcome increasing public budget constraints. Empowered regions can contribute to the pooling of national and local public and private resources through new partnership models adapted to their context. Investments associated with integrated territorial planning can strengthen regional-urban local government partnerships to improve synergies for the provision of sustainable infrastructure for mobility, access to broadband and ICT and social services (e.g. health, education).

INTEGRATED TERRITORIAL DEVELOPMENT IS CRITICAL TO SUPPORT ENVIRONMENTAL SUSTAINABILITY. Collaborative regional and local government land plans with a participative approach should help protect natural resources (e.g. water sources, watershed management, wetland and coastal protection) and biodiversity. Moreover, they should address the key natural threats (e.g. river management for flooding, deforestation, desertification). Equally, they can foster climate-friendly policies in the rural hinterland of urban areas (e.g. protect green rings around cities to act as ecological buffers, create ecological corridors to safeguard biodiversity, improve transportation networks to reduce CO_2 emissions); safeguard agricultural land to enhance food security; contribute to improved waste management; and generate natural capital for resilient and productive territories.

NOTES

1 See also the report's introduction on definitional concepts and figures.
2 The 'Toluca Declaration for Habitat III – Latin America & Caribbean' (Toluca, 18-20 April 2016) states: 'Incorporate into development planning schemes a focus on the integral and sustainable management of the territory, promoting equitable growth of regions and reinforcing links between urban, peri-urban, and rural areas, with the goal of establishing productive and harmonious relationships between the different areas'. See the whole document, United Nations, 'The Toluca Declaration for Habitat III. Latin America and the Caribbean'.
3 Smoke, 'Decentralisation in Africa'; Pike, Rodríguez-Pose, and Tomaney, *Local and Regional Development*, 3; Rodríguez-Pose, 'Economists as Geographers and Geographers as Something Else'; Barca, McCann, and Rodríguez-Pose, 'The Case for Regional Development Intervention'; UCLG, *Decentralization and Local Democracy in the World*; UCLG, *Local Government Finance*.
4 Ascani, Crescenzi, and Iammarino, 'Regional Economic Development', 4.
5 Ascani, Crescenzi, and Iammarino, 'Regional Economic Development'.
6 Satterthwaite and Tacoli, *The Urban Part of Rural Development*.
7 Denis and Asef, 'Egypt. Twenty Years of Urban Transformation'.
8 McGranahan and Satterthwaite, *Urbanisation*.
9 Smoke, 'Fiscal Decentralization in Developing Countries'; Rodríguez-Pose and Gill, 'The Global Trend towards Devolution and Its Implications'; UCLG, *Decentralization and Local Democracy in the World*; UCLG, *Local Government Finance*.
10 For the definition of decentralization see the Introduction of GOLD IV. The concepts of decentralization and devolution are very close and often used synonymously. However, it could be argued that from a theoretical point of view, the notion of devolution has no limit on the transfers of administrative and political powers, other than the point at which the transfers would mean independence. In contrast, the idea of decentralization is inextricably linked with the idea of the unity of power. Decentralized entities administer themselves without ceasing to be an integrated part of the state and without the state conceding to them part of its constitutional functions (UCLG, *Decentralization and Local Democracy in the World*, 309).
11 Smoke, 'Fiscal Decentralization in Developing Countries'; UCLG, *Decentralization and Local Democracy in the World*.
12 UCLG, *Decentralization and Local Democracy in the World*, 20.
13 See World Bank, *World Development Report 2009*, as well as the OECD's *Territorial Reviews* series and its publications on Regional Development.
14 Dziobek, Gutiérrez Mangas, and Kufa, 'Measuring Fiscal Decentralization', 21.
15 Ibid. A hybrid of these two main categories, the confederate form implies the union of sovereign states based on a core of common shared rules and laws. Confederation and federation differ in the degree of autonomy enjoyed by their member units and the extent of their central government power. The former grants its members more autonomy and limits the power of central government. The latter has a stronger federal rule, as its federate members cede more competences and responsibilities to the central federal government.
16 Agnew, 'The "new Regionalism" and the Politics of the Regional Question', 130.
17 The Regional Authority Index is an annual measure of the authority of regional governments across ten dimensions. At the level of regional governments, the index measures: the institutional autonomy of the regional government; the scope of its responsibilities; its fiscal and borrowing autonomy; and the existence of an independent legislature and executive. At the national level, the index measures the influence exercised by the regional government on: national legislation; national policy arrangements; national tax distribution; national and sub-national borrowing constraints; and national constitutional reforms.
18 The United States, for instance, has a well-defined TL2 level with its federated states, but TL3 is not represented by counties or any other specific lower level of administrative division. Conversely, the territory of the United States is divided into 179 TL3 'economic areas' – loosely equivalent to the *Composed Statistical Area*s (CSAs) of the United States Census Bureau. Most TL3 units of the United States coincide with urbanized or metropolitan areas. The significant part of the country's territory that is still economically and demographically rural, on the other hand, is statistically included in the OECD's *Local Units*, the lower territorial category that generally identifies the municipal level, right below the regional one – it includes 'wards' in the United Kingdom, *municipios* in Spain, *communes* in France, *comuni* in Italy, and so on. The OECD also categorizes both its 'Territorial' and 'Local' units according to their level of urbanization, distinguishing between 'predominantly urban', 'intermediate' or 'predominantly rural' units.
19 The following thresholds are used as guidelines for the statistical definition of regions in Europe, although they are often not applied rigidly: NUTS1 regions, 3 to 7 million inhabitants; NUTS2 regions, 800,000 to 3 million inhabitants; and NUTS3 regions, 150,000 to 800,000 inhabitants.
20 González, 'Tensions between Centralization and Decentralization in the Argentinian Federation'.
21 Tommasi et al., 'Fiscal Federalism in Argentina'.
22 The approved provincial budget law is available online at this address: https://www.santafe.gob.ar/documentos/presupuesto/Ley13525.pdf.
23 The law defining the fund and its redistribution is available online at this address: http://servicios.infoleg.gob.ar/infolegInternet/anexos/20000-24999/21108/texact.htm.
24 Province of Santa Fe, 'Strategies and Capacities for a Competitive Global Insertion'.
25 See, in particular, the analysis in Marks, Hooghe, and Schakel, 'Patterns of Regional Authority'.
26 Ojeda García, *Políticas de descentralización en Marruecos*.
27 Ringgi, 'Papua's Response to the Gift of Special Autonomy plus'.
28 Ames et al., 'Comparative Assessment of Decentralization in Africa: Mozambique'; Tidemand et al., 'Comparative Assessment of Decentralization in Africa: Tanzania'; Dickovick and Beatty Riedl, 'Comparative Assessment of Decentralization in Africa'.
29 In Latin American and the Caribbean, besides the four constitutionally federal states (Argentina, Brazil, Mexico and – with strong limitations – Venezuela), other countries that have reached an advanced level of regionalization include Bolivia, Colombia, Ecuador, Peru and Uruguay. Chile, Guatemala, Nicaragua and Paraguay do have a regional level of government, but it is granted little autonomy. Chile, however, elects regional prefects by universal suffrage.
30 Besides the federal states (Austria, Belgium, Bosnia and Herzegovina, Germany and Switzerland) and the more recent quasi-federal hybrids (such as Italy and Spain), a number of European countries have regional-level intermediary governments. Some of them are regional self-governments: intermediate governments in France, Poland, and Portugal, Croatia's counties, Denmark's regions, the provinces of the Netherlands, Norway's counties, and Sweden's regions. Others countries have either simple administrative divisions or their intermediary governments are endowed with weak powers: Albania, Czech Republic, Greece, Hungary, Ireland, Romania, Serbia (with the exception of the province of Vojvodina), and Slovakia are all part of this group. Some intermediary levels depend on municipalities, as in Finland. Latvia (which only has 'planning regions') and Slovenia, have no intermediary level at all. The United

Kingdom recognizes the regional autonomy of Wales, Scotland and Northern Ireland; the regional government of England, on the other hand, is only weakly developed. For further details, see the complete report on regionalization in Europe, issued by the Assembly of European Regions, Ciccarone et al., 'The Role of European Regions in 2015'.

31 In the Asia-Pacific region, besides Australia and India (federal states) and Malaysia, Nepal and Pakistan (formally federal, but weakly decentralized countries), China, Indonesia, Japan, New Zealand, the Philippines, South Korea, Thailand, Vietnam – and, to a lesser extent, Bangladesh and Sri Lanka – have all experienced significant advances in regionalization.

32 With the exception of a quasi-federal country such as South Africa, regionalization in the African continent is still limited, even in formally federal countries (Ethiopia, Nigeria, or small island states like the Comoros, not including very fragile states like Sudan and South Sudan). Certain unitary countries such as Burkina Faso, Côte d'Ivoire, Kenya, Mali, Morocco, Madagascar, Namibia, Niger, Senegal and Tanzania have all improved their regionalization schemes. Some countries have an intermediary level of government (e.g. wilayas - departments in Arab countries) with mixed status as decentralized administrative units and local governments endowed with elected councils (e.g. Algeria, Gabon). Many other countries do have intermediary administrative levels (regions, provinces, departments, districts), but their authorities are still appointed by the national government. This is the case in Angola, Burundi, the Central African Republic, Chad, Congo Brazzaville, DR Congo, and Equatorial Guinea. In Eurasia, regional autonomy is generally very weak – even in a federal country such as the Russian Federation and in most Caucasus and Central Asian countries. In the MEWA region, Turkey has provincial elected governments (il genel meclisi) but, in 2014, 30 provinces (out of 51) were transformed into metropolitan municipality systems. Iraq, formally a federal parliamentary Islamic republic, has granted regional autonomy to the Kurdistan region. All other MEWA countries are centralized regimes.

33 Cities Alliance and UCLG Africa, 'Assessing the Institutional Environment of Local Governments in Africa'; De Visser, 'Republic of South Africa'.

34 Grasnik, 'Regionalism in Germany', 9–10.

35 The Global Observatory of Local Finance is developed jointly between UCLG, the French Ministry of Foreign Affairs, the French Development Agency (AFD), and the OECD. Their database can be freely accessed online at this address: http://www.uclg-localfinance.org/observatory.

36 Agnew, 'The "new Regionalism" and the Politics of the Regional Question', 134.

37 Loughlin, 'The "Hybrid" State'.

36 OECD, *Territorial Reviews: Brazil*.

37 UN-Habitat, 'Issue Paper on Urban Governance'.

38 Stephenson, 'Twenty Years of Multi-Level Governance'. A similar definition is proposed by Charbit, 'Governance of Public Policies in Decentralised Contexts', 13.

39 Committee of the Regions, 'The White Paper on Multi-Level Governance'.

40 More information about the Charter is available online: https://portal.cor.europa.eu/mlgcharter/Pages/default.aspx.

41 UN-Habitat, 'Issue Paper on Urban Governance'.

42 Stephenson, 'Twenty Years of Multi-Level Governance'. A similar definition is proposed by Charbit, 'Governance of Public Policies in Decentralised Contexts', 13.

43 OECD, *Regional Development Policies in OECD Countries*, 28

44 OECD, *Regional Development Policies in OECD Countries*.

45 Fosu, World Institute for Development Economics Research, and United Nations University, Achieving Development Success..

46 OECD, 'The Case of Future OECD Principles of Public Investment Across Levels of Government'.

47 The *Contrat* engages the central ministries directly with the regional presidents. The central governments' branches negotiate the contents and application of policy measures with the regions, with the General Commissioner for Territorial Equity (which depends directly on the Prime Minister's Office), and with each ministry's regional delegation (http://www.cget.gouv.fr/).

48 OECD, *Regions Matter*.

49 For more information: http://www.dnp.gov.co/Contratos-Plan/Paginas/ContratosPlan.aspx. See also, OECD, *Territorial Reviews: Colombia 2014*.

50 OECD, 'The Case of Future OECD Principles of Public Investment Across Levels of Government'.

51 OECD, 'Challenges of Human Resource Management for Multi-Level Government'.

52 Charbit and Michalun, 'Mind the Gaps'.

53 ESPON, 'European Towns and Territorial Cooperation', 2.

54 Ibid., 3.

55 OECD, *Regions Matter*; Barca, McCann, and Rodríguez-Pose, 'The Case for Regional Development Intervention'.

56 World Bank, *World Development Report 2009*.

57 Stiglitz, *The Price of Inequality. How Today's Divided Society Endangers Our Future*; OECD, *Divided We Stand*; Piketty, *Capital in the Twenty First Century*.

58 Romeo, 'The Territorial Approach to Local Development (TALD)'. For more information see also: http://capacity4dev.ec.europa.eu/public-pub.sector-reform-decentralization/document/territorial-approach-local-development.

59 Barca, 'An Agenda for a Reformed Cohesion Policy. A Place-Based Approach to Meeting the European Union Challenges and Expectations', 4–5.

60 See the recent publication from the European Commission's Directorate-General for International Cooperation and Development, 'Supporting Decentralisation, Local Governance and Local Development through a Territorial Approach'.

61 Ibid., p. 33.

62 In this section, the concept of 'spatial planning' refers to public policies designed to shape or manage the distribution of people, activities and settlements in a territory's space (both urban and rural) and at various levels. The European Regional/Spatial Planning Charter – adopted by the Council of Europe's (CoE) Conference of European Ministers responsible for Regional Planning, in 1983 in Torremolinos, Spain – defines 'regional/spatial' planning as providing 'a geographical expression to the economic, social, cultural and ecological policies of society' (the whole document is available online on the CoE's website: http://www.coe.int/t/dgap/localdemocracy/cemat/VersionCharte/Default_en.asp). Its objectives, as defined in the Charter, are: balanced socio-economic development of the regions; improvement of the quality of life; responsible management of natural resources and protection of the environment; and the rational use of land. Regional/spatial planning seeks to better coordinate between various policy sectors and decision-making levels, promoting the equalization of financial resources and proactive citizen participation. The concept is close to the French idea of *aménagement du territoire*, the Spanish *ordenamiento territorial*, and the German Raumordnung.

63 OECD, *Regional Development Policies in OECD Countries*. Some countries have a constitutional commitment to improve territorial balance (e.g. Germany, Italy, Korea and Spain); others prioritize peripheral areas (Denmark), regional balance (Finland), territorial cohesion (France), and equal living (Norway). Some countries – mostly smaller ones such as Austria, Denmark, Luxemburg or the

Netherlands) – have paid limited attention to the issue of regional disparities, while others do not regard it as a major political problem (e.g. Czech Republic and Hungary). Following a survey realized by OECD in the late 2000's, the principle of 'enhanced competitiveness' is gaining popularity in France, the Netherlands, Sweden, Austria, Finland, Korea, New Zealand, Poland and the United Kingdom. Similarly, the idea of 'endogenous development', combined with social and environmental sustainability, has gained momentum in Australia, Ireland, Norway and Turkey. The issue of equality in regional policies has also been linked to access to collective public services – as an issue of human rights – or with opportunities (access to professional opportunities, high-level education and connectedness).

64 Ibid.

65 Oranje, 'Post-Apartheid National Spatial Development Planning in South Africa - A Brief History'.

66 See also note 58 above for a more markedly European approach.

67 Pellegrin, 'Politiques et Pratiques D'aménagement Du Territoire Aux États-Unis'. Regional planning agencies, for instance, have had a limited diffusion mostly in metropolitan areas (e.g. metropolitan planning organizations - MPOs - for transport) or for watershed management. A number of states have developed agencies for regional planning (e.g. Florida, Georgia, Massachusetts) but, after significant federal budget cutbacks in the 1980s, many have either been dismantled or have adopted a more entrepreneurial approach, undertaking activities for private and civic sectors. Most federated states, however, still have at least some kind of regional planning organization.

68 These aim to promote 'innovation for sustainable growth and quality jobs', as stated by the Economic Development Administration (EDA). Other administrations have a long tradition of community programmes targeting specific groups or localities, such as the Department of Housing and Urban Development and the Department of Agriculture in rural areas. See also OECD, *Regional Development Policies in OECD Countries*, 305–6.

69 'Envision Utah: your Utah, your future', Vision for 2050. The document is available online at this address: http://yourutahyourfuture.org/images/Vision_PDFs/YUYF_Vision_for_2050.pdf.

70 Pellegrin, 'Politiques et Pratiques d'Aménagement du Territoire aux États-Unis'.

71 For more details, see Box 2.4 above.

72 The Constitution allows the intervention of federal and regional governments to ensure a minimum level of equality between territories. One key principle is that of mutual solidarity, which includes differentiated financial support to 'new' eastern *Länder*, but also the *Länderfinanzausgleich*, which fosters mutual support between financially stronger and weaker regions. The Federal Regional Planning Act defines several principles which ensure flexibility at the regional level, coordination between different levels and neighbouring regions, and mechanisms to resolve conflicts, commonly referred to as the counter-current principle (*Gegenstromprinzip*, see also the Regional Planning law, *Raumordnungsgesetz,* ROG, 1965). This principle allows lower government tiers (municipalities) to participate or veto provincial and regional planning. See also Treuner, 'Politiques et Pratiques D'aménagement Du Territoire En Allemagne'; Federal Office for Building and Regional Planning and Federal Ministry of Transport, Building and Urban Development, 'Perspectives of Spatial Development in Germany'.

73 The fund is supported by the Federal Ministry for Economic Affairs and Energy (BMWi). More information is available online at this address: http://www.bmwi.de/DE/Themen/Energie/Energiewende/koordinierung-energiewende.html.

74 More information on regional energy policies and actions in Baden-Württemberg is available online at this address: http://energiewende.baden-wuerttemberg.de/en/all-articles/basics/energy-transition-in-baden-wuerttemberg/.

75 More information on these funding schemes is available online: http://ec.europa.eu/contracts_grants/funds_en.htm.

76 OECD, *Territorial Reviews: Brazil*; Dubarie and Pellegrin, 'Politiques et Pratiques D'aménagement Du Territoire Au Bresil'; Ministère des Affaires Étrangères and UMR PACTE-Territoires, 'Étude Comparée Des Politique D'aménagement Du Territoire et de Développement Régional Dans Les Pays Du Sud'.

77 More information on the Bahia Government's *Plano Plurianual Participativo (PPA) 2016-2019* is available online at this address: http://www.seplan.ba.gov.br/modules/conteudo/conteudo.php?conteudo=51.

78 According to recent studies, Tamil Nadu could effectively achieve a GDP per capita of around USD 12,000 by 2025. See Brar et al., 'India's Economic Geography in 2025'.

79 Government of India, 'NITI Aayog. From Planning to NITI'. See also Government of India, *Twelfth Five Year Plan (2012-2017).*

80 OECD, *Regional Development Policies in OECD Countries.*

81 On the tensions created by recent reforms, see also Section 2.1.4 above and Association des Régions de France, 'Les Chiffres Clés Des Régions'.

82 Commissariat Général à l'Égalité des Territoires, *Pour une République au service de l'égalité et du développement des territoires*; OECD, *Territorial Reviews: France.*

83 The regional plan - Région Provence-Alpes-Côte d'Azur, *Notre région 2030, SRADDT - Schéma Régional d'Aménagement et de Développement Durable du Territoire,* adopted on 26 June 2015 – is available online at this address: http://2030.regionpaca.fr/index.php/site/accueil.

84 The country is divided into 32 departments and 1,102 local governments (plus the Bogota district). Three departments alone account for 70% of the country's GDP. Colombia's settlement patterns are characterized by an archipelago of urban regions that concentrates 76% of the population (56 cities, including 18 urban agglomerations with more than 100,000 inhabitants), surrounded by poorly connected rural areas. Domestic war and regional conflicts have aggravated the problems of poverty and de-population in the countryside (the phenomenon of *desplazados*).

85 Based on Law 1454/2011 and regulated by the *Decreto Nacional* 3680/2011.

86 Departamento Nacional de Planeación, 'Plan Nacional de Desarrollo 2014-2018', available online at this address: http://antioquia.gov.co/index.php/2014-01-03-13-49-44/plan-de-desarrollo (last accessed in July 2016).

87 Ibid.

88 The principles underpinning the development plan are set out in the Colombian Constitution. The plan was further developed in different legislative documents (Laws 152/94 and 388/97, among others). Each sub-national government is expected to create a development plan with clear budgets and follow-up indicators during the first year of its mandate. Municipalities are also required to develop their own spatial plan. All sub-national governments should use the directives of the NDP and the various ministerial plans as 'inputs'. Accordingly, departmental and local plans should be 'aligned'. See Departamento Nacional de Planeación, 'Planeación Para El Desarrollo Integral En Las Entidades Territoriales'.

89 Gobernación de Antioquia, 'Antioquia Piensa En Grande'.

90 DNP, Misión Sistema de Ciudades, 2016 and DNP, *El campo colombiano: un camino hacia el bienestar y la paz. Misión para la trasformación del campo*, 2015. See also OECD, Territorial Review: Colombia, 2014.

91 For more details, see also Section 2.1.2 above.

92 KwaZulu-Natal Provincial Planning Commission, 'Provincial Growth and Development Strategy'. See also the 'State of the Province' addresses by the province's Premier for the year 2015 (http://www.kznonline.gov.za/images/Downloads/Speeches/premier/2015/

STATE%20OF%20THE%20PROVINCE%20ADDRESS%20back%20up.pdf, February 27, 2015) and 2016 (http://www.kznonline.gov.za/images/Downloads/SoPA2016/SoPA2016.pdf, February 25, 2016). Different branches of the provincial government have issued a number of similar documents. See, for example: Office of the Premier, 'Strategic Plan 2015-2020'; Department of Human Settlements, 'Strategic Plan 2015/16-2019/20'; Department of Health, 'Strategic Plan 2015-2019'; Department of Public Works, 'Strategic Plan 2015-2020'.

93 Oranje, 'Post-Apartheid National Spatial Development Planning in South Africa - A Brief History'; Drewes and van Aswegen, 'National Planning in South Africa'.
94 National Planning Commission, *Our Future*.
95 Global Taskforce of Local and Regional Governments, UN-Habitat, and UNDP, 'Roadmap for Localizing the SDGs: Implementation and Monitoring at the Subnational Level'.
96 Satterthwaite and Tacoli, *The Urban Part of Rural Development*.
96 OECD, *Regions Matter*.
98 Barca, McCann, and Rodríguez-Pose, 'The Case for Regional Development Intervention'.
99 OECD, *Promoting Growth in All Regions*.
100 Vázquez-Barquero, 'Inward Investment and Endogenous Development', 84.
101 OECD, *Territorial Reviews: Brazil*.
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103 van Empel, 'Local Economic Development in Polonnaruwa District, Sri Lanka'.
104 NSW Department of Trade and Investment, 'Economic Development Strategy for Regional NSW'.
105 Rodríguez-Pose, 'Economic Convergence and Regional Development Strategies in Spain', 102.
106 Ibid.
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108 Région Pays de la Loire, 'Stratégie Régionale D'innovation Pour Une Spécialisation Intelligente En Pays de La Loire (2014-2020).
109 More information is available on the related web page of the European Commission: https://ec.europa.eu/growth/tools-databases/regional-innovation-monitor/support-measure/competitiveness-poles.
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111 Farole, *Special Economic Zones in Africa*, 23.
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114 Zeng, 'Global Experiences with Special Economic Zones'.
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118 Ministry of Municipal Affairs and Housing, 'Economic Development Case Study Handbook', 40.
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120 Ibid., 41.
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[153] 'L'adoption de La Stratégie Régionale de Transition Énergétique En Pays de La Loire Pour 2014-2020'.
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[172] Paris, 'Politiques et Pratiques D'aménagement Du Territoire En Espagne'.
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[174] UN-Habitat, *Meeting Development Goals in Small Urban Centres*.
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[180] Roberts, 'Rural Urbanization and the Development of Small and Intermediate Towns'.
[181] Sall, 'Straightforward Critics or Would-Be Candidates?'
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[186] OECD, *Rural-Urban Partnerships*, 34–35.
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[190] More information on the partnership's core goal at this address: http://southgrow.com/about/core-goals.
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04.
CONCLUSIONS

1. INTRODUCTION

The year 2015 gathered significant momentum and saw a convergence of forces towards the transition of our societies to a more sustainable and inclusive long-term development cycle.[1] The international community reached a consensus that this new cycle would at the same time necessitate a shift in economic and social systems to be more inclusive and oriented towards sustainability. These systems are to eradicate poverty, reduce inequalities and support development within planetary boundaries.[2] The transformative potential of this transition is subject to much and lively debate.

The adoption of the UN Agenda 2030 and the Paris Agreement on Climate Change that stemmed from the COP 21 illustrate a clear political recognition that we live in a new era - the 'Anthropocene', as it is termed - where humanity exerts a dominant influence on our planet's environment. Moreover, inequalities have reached extreme levels and our future economic systems must now have environmental safeguards.[3]

These changes are taking place at precisely the moment when the majority of the world's global population find themselves to be urban citizens. People are spread across a variety of settlements, ranging from small towns, through to intermediary cities (i-cities) and large metropolitan areas. If UN projections are correct, the size of the urban population is set to double over the next four decades to 2050, by which time as many as 7 billion (out of a total population of 9.5 billion) people may be living in urban settlements. Given this scale, it is clear that the answers to problems at the level of cities and territories will pave the way for global solutions to global problems.[4]

Previous chapters have described the challenges facing different levels of human settlements and the solutions that are necessary. In this concluding chapter, we place these challenges and solutions in the new context being redefined through the international agreements that cohere under the Sustainable Development Goals (SDGs) for 2030, the Paris Agreement, and the New Urban Agenda.

Our conclusions explore the key interlocking trends that will lay the ground for a sustainable future, at the same time considering different solutions for current urban and territorial problems. Finally, we present UCLG's policy recommendations to its membership, partners, the rest of the local government community, and international institutions.

The answers to problems at the level of cities and territories will pave the way for global solutions to global problems

Photo: Insights Unspoken - Addis Ababa (Ethiopia).

2.

THE GLOBAL CONTEXT

The international summits and agreements of the past few years are an unprecedented opportunity to take stock of the progress made since the Earth Summit in 1992, Habitat II in 1996, and the adoption of the Millennium Development Goals (MDGs) in 2000 in particular, as a programme of action to deliver the renewed development agenda. It is an enormous achievement to have fostered an **international consensus based on fundamental preconditions for a peaceful and prosperous world**. Since the early 1990s, the recommended approach to national development has rested on **democratization of the state and civil society**, to ensure the political and civil rights are fully expressed and guaranteed. This process, rooted in the **Universal Declaration of Human Rights**, has sought new economic and social models consistent with the precepts of **sustainable development**.

Moreover, an overview of post-1990 UN development agendas shows that the global policy community **has progressively recognized the important role of sub-national governments** in the implementation of global policy agreements. The recent suite of policy agreements – Sendai, Addis Ababa, Agenda 2030 and the SDGs, and COP 21 – consolidates this, arriving at a much clearer understanding of the implications inclusive and sustainable development has for multilevel governance (MLG). For instance, for local local and regional governments, as well as the international community as a whole, the universal agendas adopted last year point to the transformations that are urgently needed to address the unprecedented economic, socio-spatial and environmental changes and challenges unfolding in the early 21st century. The various actions and accords described are interconnected and should be seen **as a common global development agenda.** However, while the current global agendas define actual institutional and governance arrangements, it must be emphasized these do not sufficiently address the magnitude of the demographic transition towards a more urbanized world – nor the staggering implications of this for the development agenda. If the New Urban Agenda fails to adequately address this issue, it will have far-reaching and devastating consequences.

In this regard, the current juncture can also be seen as a period of unique opportunity. For the first time in human history, we have the capacity to eradicate poverty and hunger. There is an emerging view that we are entering an era in which the technology exists to reorganize the economy so that everyone has access to food, health, education and other basic services. **Moreover, thanks to increasing automation, we can all enjoy more leisure time and life-long learning, while becoming contributing members of self-reliant communities and a broader political life**. This perspective is reflected in the cultural rise of the 'sharing economy', the 'maker culture', open-source learning, and co-production as a fundamental cultural principle of identity, belonging and aspiration. These trends are particularly significant in large urban agglomerations. The embrace, for the first time, of new social media, mobile sociality and economic transactions by young people from all world regions and cultures is a phenomenon that reveals an ever more interconnected, 'crowd-sourced' and responsive urban ecosystem.

The new international consensus necessitates certain structural changes. It centres on the need for a more intelligent approach that recognizes the centrality of well-informed, accountable and proactive public institutions, willing to take the lead in establishing societal consensus and broader civic participation. **The next few decades are an ideal opportunity to radically reconfigure social structures, economic opportunities and cultural systems of belief and attachment** at the deeper levels of society where technology, demographic change, cultural awareness and new economic business models intersect. Local and regional governments can lead in the reformulation of bottom-up solutions and take advantage of their proximity to create a new model of 'shared governance'.

Currently, however, structural and institutional lags at different llevels are impeding this. The world financial crisis that began in 2008 is widely held in international policy circles to mark the end of one era and the start of the global transition to another. The year 2009 was the first year since the Second World War (WWII) that the global economy actually shrank (in terms of GDP). **There is considerable debate amongst policy analysts about whether a new long-term development cycle will emerge or if large parts of the global economy will in fact sink into long-term stagnation and decline**.

The equivalent of the Bretton Woods Conference in the middle of the 20th century to agree on new world economic order that restored regulatory controls at macroeconomic levels has not yet taken place. National economies are even more vulnerable to indebtedness and speculative capital flows. The financialized era, debt-driven models of economic growth and the commodification of public goods affect national and local economies alike. This is seen in the ever more frequent food and housing crises around the world which also precipitate financial aftershocks that heighten insecurity and inequality. Phenomena linked to the evolution of economic systems, the new international division of labour and means of production, have further fuelled a crisis of employment, enlarged wealth disparities, and created fertile conditions for disaffection and social unrest.

At the same time, the current model of growth is unable to stop over-consuming non-renewable and renewable resources and harmful emissions that are exacerbating climate variability. In essence, humanity is shaping contemporary society in a way that is increasingly unequal and significantly and exceeds the planet's capacity to renew its natural life-support systems. The processes by which this is happening co-exist with dynamics that see almost half the global population eke out an existence on less than USD 2.50 a day.

The world faces the negative consequences of unsustainable consumption. Majorities in the Global South can barely make ends meet and are caught in the poverty trap, while in the Global North more and more people are vulnerable to falling into a precarious existence if they lose or fail to get a job. This, combined with different levels of institutional weaknesses, represents a threat to the achievement of the new development agendas for 2030. Indeed, across the world, public institutions appear powerless to implement a new paradigm of socially inclusive and sustainable development, often trapped by obsolete institutional constraints that stifle experimentation and innovation. Declining levels of public welfare; over-burdened or insufficient infrastructure systems resulting from partial state disinvestment; ineffective public regulation of markets' dominance; and weak planning, aggravate the crisis of legitimacy of public institutions.

Consequently, most governments are investing in capacity-building, performance-management improvements, information technologies and forms of MLG that enhance administrative efficiencies. At the same time, there has been a marked shift in understanding the importance of a more effective, capable and confident state, in the last decade in particular. These developments coincide with a trend in the last 20 years towards decentralization and the replenishing of democratic participation as a cultural expectation and institutional prerequisite for responsive governance. This trend also pervades the current debates on the new global agendas.

The necessary transition from an ineffective exclusionary and unsustainable model of socio-economic development to a more sustainable and equitable one is increasingly being referred to as the next 'great transformation'.[5] While progress at the global level to define the terms of the next long-term development cycle within the bounds of our planetary capacity is limited, we are seeing – as this report has highlighted – **an encouraging proliferation of sustainability-oriented 'experiments' in**

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urban settlements and territories across the world.[6] The evolutionary potential, spread and scale of these could be significant enough for them to represent the emergence of a new mode of urban and territorial governance. The structural limits of the contemporary global economic model and system have been exposed, along with their underlying unsustainable production which, in turn, relates back to consumption preferences and behaviour.

The blight of rising inequality is now firmly on development agendas, and there is a recognition that unless urban and territorial action is taken to combat inequalities, and climate change and its impact, the massive gains made in the last century will be swept away, worsening the contemporary challenges of poverty, inequality and environmental degradation. The future of humanity is inextricably linked to the way in which urban and local challenges are addressed. **This is why it is so important to examine what is now emerging within our urban settlements and territories in order to discern the potential dynamics of a new, inclusive and sustainable socio-economic order**. To this end, the evolutionary potential of the present moment needs to be fully understood to define possible transition pathways for the future.

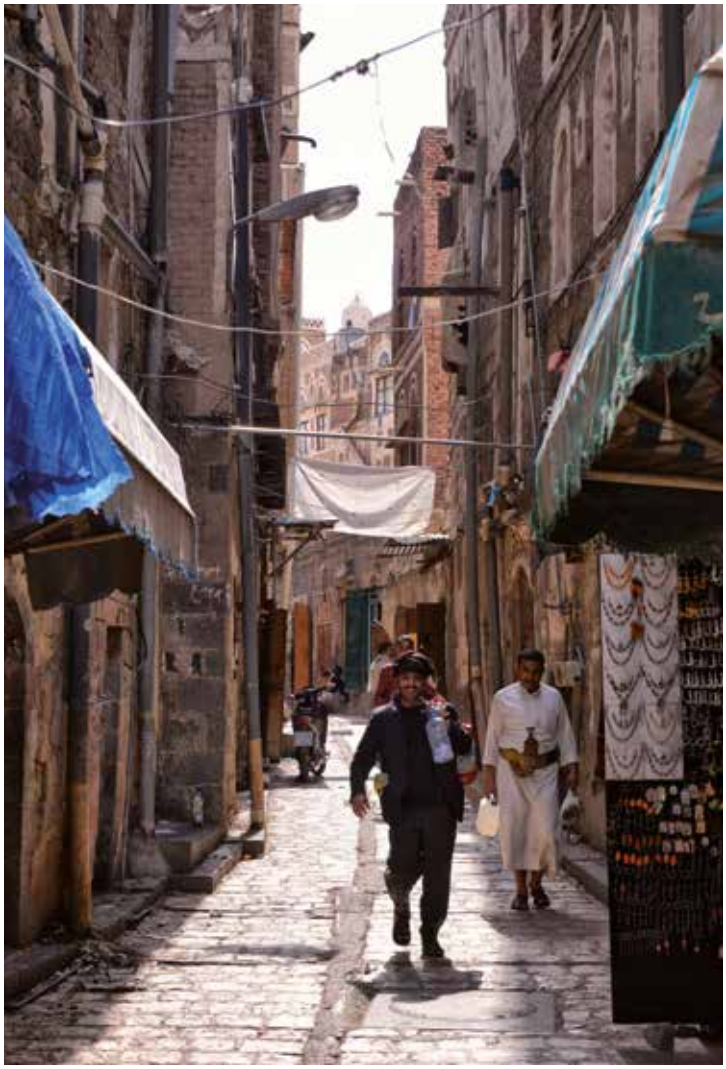

Photo: Rod Waddington - Sana'a (Yemen).

Discussions and policy processes throughout UCLG regions and various local government networks have shown a strong willingness amongst local and regional governments' leaders to proactively tackle deep institutional problems. This will be essential to jointly devise local solutions to complex inter-sectoral problems such as inequality, social exclusion, environmental pressures and changing local and regional economies.

This report's structure and analysis mirror the cross-cutting nature of these issues: how socio-economic informality and marginalization; the lack of infrastructural interconnectedness; and environmental resilience affect metropolitan areas, intermediary and small cities, and rural areas. These all pose challenges that local and regional governments must address according to the particular needs and strengths of their territory and communities.

The next section summarizes some of the key issues relating to the different levels of sub-national government spelt out in previous chapters. After a brief reminder of the substantial transformative dimensions of the new global agendas, the conclusions move on to a novel policy perspective. This reinforces the importance of an integrated territorial approach to development that involves people and local communities. It identifies the different drivers of change that can ultimately bring about the necessary transition for a sustainable future in metropolitan areas, i-cities, and mixed rural-urban areas. It also refers to the reforms needed in national institutional frameworks and policies to tap the potential of territories. In so doing, it builds on two critical dimensions: the establishment of a new social contract with citizens, founded on the 'Right to the City'; and the appropriate financing of the urban and territorial objectives of an emerging global urban agenda. It concludes, finally, with a series of recommendations for all actors willing to support change, sustainability and inclusiveness in local, national and global governance systems.

3.

METROPOLITAN AREAS, CITIES AND TERRITORIES: MAIN OUTCOMES

The aim of the GOLD IV Report is to put local and regional authorities at the centre of the New Urban Agenda, thus strengthening its links with the 2030 Agenda and the Paris Agreement on Climate Change, and translating its normative horizon into practical policies that will transform human settlements, with the involvement of citizens and communities.

In light of this, the analysis moves away from traditional sectoral approaches, favouring instead a broader territorial approach that builds on the vision, experiences and practices of local and regional leaders in charge of metropolises, i-cities, small towns and regions.

Starting with an analysis of the expansion of metropolitan areas that is reshaping the world's urban landscape, the report underlines – in its first chapter – some disturbing contrasts that characterize most of these urban agglomerations.

These are: concentrations of wealth and poverty; strong opportunities but increasing social exclusion; promises of better quality of life versus inadequate housing; congestion, pollution and in developing countries marginalized slums. Metropolises are considered 'engines of growth' and, as such, play a central role in our societies, but have not yet resolved key issues related to governance, democratic management and financing.

Many metropolitan governance systems around the world are in fact being reformed and upgraded. Reforms, however, are rarely flawless and often involve trade-offs on different issues. This experience demonstrates that there is no 'one-size-fits-all' solution.

This being said, the analysis proposes some basic principles that tend to bolster democratic and collaborative metropolitan governance systems. These are: local democracy, accountability, subsidiarity, effectiveness, adequate resources and financing instruments to foster a polycentric and balanced development, as well as 'equalizing' financial mechanisms for more cohesive and harmonized metropolitan areas.

At the core of the main issues for metropolitan areas lies the need for metropolitan leadership that embraces experimental alternatives and seeks new management and cooperation paradigms. Furthermore, leaders need to move from fragmented sector-specific decision-making to a strategic approach that takes into account the systemic tensions between inclusion, environmental policies and the need for sustained economic development.

The report insists on the democratization of metropolitan governance and the need for a larger role for both local organizations and citizens, well beyond formal electoral channels. Indeed, a buoyant local democracy is a precondition for the emergence of a new form of metropolitan governance, able to recognize and mitigate the tensions and contradictions inherent in complex urban societies. It should be supported by clear participatory mechanisms that facilitate the active engagement of civil society, especially

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excluded and disenfranchised groups, including immigrants.

Although not entirely new or risk-free, the strategic planning approach is presented here as a promising model on which to build such an integrated vision for the whole metropolitan area, linking all the different dimensions of urban sustainable development.

This approach offers an opportunity to plan and decide collaboratively across the many territories that are involved, preserving a participatory approach that includes local stakeholders and civil society. The effective participation of citizens can ultimately help overcome the asymmetric distribution of power that is inherent in the policy-making arena and productive ecosystem of metropolitan areas. **Strategic participatory planning can be seen as a powerful tool to move towards the idea of a 'co-creation' of the city.**

A buoyant local democracy is a precondition for the emergence of a new form of metropolitan governance, able to recognize and mitigate the tensions and contradictions inherent in complex urban societies

Metropolitan areas, often recognized as 'engines of growth', function as drivers of national (and even international) economies by providing critical advantages and externalities to the local and national economies within which they are embedded. Their role has thus central to the economic transformation of many emerging and developing countries in recent decades.

These dynamics are closely related to the quest for competitiveness and the desire to attract investments and international corporations, and are fuelled by the financialization of urban economies. The deregulation of financial markets; the appetite of institutional investors for fixed assets; the privatization of public spaces and services; and the securitization of mortgages and municipal bonds, have substantially reshaped metropolitan economies, creating new and entrenched challenges.

As part of these challenges – and as a 'negative externality' of this competitive approach – the report highlights a pattern of exclusionary dynamics (e.g. gentrification and marginalization) that shapes metropolitan areas and leads to unsustainable development pathways.

This pattern could trigger the emergence of a 'two-speed' city, with prosperous areas, on the one hand, and zones with a disadvantaged population, on the other hand (a reality that is structural in the Global South). In this context, one of the biggest challenges facing metropolitan areas today, as highlighted in the report, is how to **combine 'attractiveness' strategies with an agenda that preserves inclusiveness and sustainability.**

Another dimension that is becoming a cornerstone of metropolitan policies is environmental sustainability. To various degrees, cities around the world are contributing to and even taking the lead in environmental sustainability, implementing initiatives in many different areas. This is both individually and through their participation in global networks such as the Global Covenant of Mayors for Climate and Energy.

Although such initiatives have proven successful, the commitment of local governments is often hindered by obstacles relating to funding, institutional settings, regulations and legislation, technology and knowledge. Since these issues cannot be addressed by cities unilaterally, a stronger collaborative framework is needed between all levels of government, the private sector and civil society.

Key dimensions of environmental sustainability and social inclusion need to be addressed within a comprehensive, holistic framework of action. Indeed, the quest for a greener production and consumption system has severely tilted the balance towards the economic side of this 'greening' approach. The de-politicization of the issue – or 'greenwashing' – has focused attention (and resources) on the competitiveness and affordability of the 'green' paradigm, neglecting the social and spatial issues that this may engender at the metropolitan scale.

Metropolitan areas and cities in general are in a critical situation when it comes to the provision of housing and basic services. Indeed, as mentioned in the report, across developing countries, there are still 2.4 billion people lacking access to improved sanitation facilities and 1.9 billion people using unimproved or potentially contaminated water sources, many of them in urban areas. There is an urgent need for robust policies that facilitate access to land and housing – most importantly control over land-use and real-estate regulations by local governments. Furthermore, new mechanisms are crucial to ensure that the management and delivery of public services is performed in a coordinated manner, striking a balance between inclusion and financial sustainability.

In the context of growing difficulties for central governments to preserve their welfare systems, the **notion of local governments – and metropolitan governments in particular – as key actors in the 'regulation' of an urbanized society and pillars of local democratic quality is becoming more and**

more central. This is particularly so given their growing responsibilities for the social, economic, environmental and cultural dimensions of urban life.

A review of people-centred approaches, focusing on rights and quality of life at the city level, suggests that the 'Right to the City' approach represents a comprehensive framework to integrate recognized human and social rights for all urban inhabitants with the different expectations and goals set by the SDGs and the New Urban Agenda. This is supported by deeper local democracy and stronger involvement of citizens in the co-production of the city.

In its **second chapter**, the report focuses on i-cities, which – historically – have contributed significantly to the territorial cohesion and development of their respective regions and countries. This is as regional centres and providers of administrative and social services, conventionally linked to local economic activities. However, despite their demographic (they are home to 20% of the world's population) and territorial relevance, as well as their pivotal role within national urban systems, i-cities are still largely neglected by development agendas. Meanwhile, their role and functions are being challenged in many countries by the transformation of national and global economies.

Indeed, they have been subjected to unprecedented pressures by internatio-nalization of finance and other trade sectors, the growing exposure of national economies to worldwide competition and structural reform, as well as the radical changes in production systems.

The traditional role, location and scope of i-cities in **national urban systems** are being functionally redefined in the context of evolving national and global systems of cities. The pace of urbanization is reshaping traditional systems of cities, which are more networked and less hierarchically based on functional linkages and interdependence than they were before. In this context, i-cities throughout the world now face common challenges inherent in the increased asymmetry of performance, both between i-cities and metropolitan areas, and between i-cities themselves. Indeed, many i-cities have developed advanced clusters serving major cities, or evolved into urban corridors that sometimes even straddle national boundaries.

But for others, particularly those located outside or on the periphery of more dynamic regions, the reality is one of stagnation or decline. While capital gains are concentrated in growing urban systems and economically dynamic regions, shrinking cities are being affected by a depreciation of assets and declining investments. Increasing socio-economic differences between metropolitan regions, i-cities and rural regions contribute to growing inequalities, elicit migration to larger cities, and accelerate the marginalization of peoples and territories – a situation that benefits none of these areas.

As is suggested in the report, tackling this urban dualism requires diversified policies

I-cities are still largely neglected by development agendas

Photo: Seba Della y Sole Bossio - Allahabad (India).

and investment strategies between 'core' and 'non-core' cities, to correct imbalances within countries and regions. **Inclusive national urban and spatial policies are necessary to counterbalance increasing inequalities, promote robust and well-balanced urban systems and enhance territorial cohesion.**

This being said, many i-cities have been able to capitalize on their economic, social and cultural relations, elicited by urban proximity and human scale, developing shorter and more efficient economic flows; supporting local markets and production; and improving inter-municipal cooperation in service and infrastructure provision. They have begun the transition to more knowledge and technology-driven manufacturing and services and have become attractive cultural and touristic centres.

At the same time, other i-cities are struggling to turn their comparative advantages into economic development opportunities. Although there are no simple or immediate solutions to the problems they face, the report highlights a series of strategiesthat could bring possibilities for them to assert their leadership.

Overcoming a rigid rural-urban dichotomy is a precondition for the achievement of many of the SDGs and the New Urban Agenda

For example, fast-growing i-cities in developing regions need to prioritize flexible and integrated urban planning approaches; land-use management (including secure land tenure); and the reform of urban governance systems, financial administration, and basic services. This is to underpin decent living standards for everyone, based on human rights principles.

I-cities that go through structural reforms in the face of economic downturns should focus on re-education and re-skilling; the participation of local communities; strong political and business leadership, as well as embrace innovation and new technologies. In this context, specific policies include: creating a culture of cooperation; making the transition towards environmentally sustainable models; taking advantage of the ongoing transformation of the global economy; and putting the 'Right to the City' at the heart of the i-city agenda.

As is suggested, although it is difficult to anticipate future scenarios and opportunities for i-cities, changing models of production, consumption and social organization give reason for optimism.

Finally, the report explores the role of territories (regions, small towns and rural municipalities), whose dynamism and sustainability condition the wellbeing of a significant share of the world's population – including those in urban settlements.

Overcoming a rigid rural-urban dichotomy is a precondition for the achievement of many of the SDGs and the New Urban Agenda. As acknowledged in the process that is paving the way for Habitat III, many of the key components of the New Urban Agenda require, in fact, a wider territorial approach. The involvement of regions, small towns and rural municipalities, therefore, is as critical as that of metropolitan areas and i-cities, to strengthen collaboration and integration along the rural-urban continuum.

The growing relevance of regions has been strongly emphasized in the recent past, as a result of an emerging 'new federalism' as well as 'regionalization' processes within

Photo: M W - Tonga.

the framework of decentralization. This being said, the decentralization of resources has not always been commensurate.

Indeed, the report emphasizes a clear distinction between federal and unitary states in terms of sub-national governments' fiscal autonomy and relevance. While regionalization has in fact progressed to a significant degree, the concrete conditions of its implementation – and in particular issues concerning autonomy and availability of financial resources and capabilities - are in many countries hindering the regional authorities' ability to fulfil their mandate.

In order to ensure the efficiency and adequacy of decentralization processes, the report highlights the need for an adequate MLG framework as the policy-making mechanism of choice for collaborative and integrated development strategies. An enabling legal and institutional environment, with a clear vision of responsibilities and powers for every level of sub-national government, as well as effective fiscal decentralization, are essential to harness the potential of regional governments.

As has been mentioned, national and regional development policies are going through major transformations, having to adapt to the growing relevance of regions; respond to the pressures of the global economy, and integrate into reformed national institutional frameworks.

In their role as intermediary between national and local levels of government, regions can clearly benefit from leading and coordinating territorial development strategies more efficiently. There is a growing global trend towards the regionalization of development strategies, both in federal and unitary countries. While in federal countries, the role of states and regions in regional planning is more consolidated, in unitary states, it is more variable – from very active to passive – and often more limited (because of financial constraints). In many countries, however, the inconsistency of decentralization policies and limited local capacities hamper the potential of regional governments in shaping development strategies.

The policies that have emerged since the end of the last century to support sub-national economic development are, however, increasingly place-based, and revolve around 'regional endogenous development' and competitiveness. These new approaches tend to address and bolster the emergence of proactive and dynamic regional actors, able to mobilize local assets and tap into unexploited local potential.

Opportunities for growth have been shown to exist in all types of regions, and localized approaches to improve territories' resilience in the face of a volatile global economy, leading to a more equitable distribution of the benefits of economic growth, both within and between territories.

With regard to the role of regional governments in environmental policy and protection, the relationship between regional and sustainable development has grown all the more apparent during the process of definition and negotiation of the different UN development agendas. It has been demonstrated that regional governments are responsible for the design and implementation of laws and policies in sectors that are essential to environmental sustainability.

Most climate change effects take place at the supra-local level. Sub-national interventions are usually more adaptable to the geographic (e.g. ranges, valleys, hydrography) and biological (e.g. the different habitats and ecosystems) components of a territory. Thus, the environmental commitment of sub-national governments has often been hindered by a lack of adequate support from central government.

As the report has shown, the linkages and interactions between the 'rural' and the 'urban' have increasingly strengthened. As the relationship between urban and rural areas evolves, the borders between them become increasingly blurred, and the two are ever more interdependent.

Consequently, there is a need to revise the long-established classification of all human settlements as 'rural' or 'urban', since this rural-urban dichotomy tends to undermine – rather than support – households and businesses in smaller towns.

Emerging approaches to rural-urban partnerships demonstrate the opportunities for sustainable development that exist outside large urban centres. Rural-urban partnerships are essential to mobilizing actors and stakeholders from involved communities, engaging them in the achievement of common goals and a shared vision and, at the same time, providing the necessary institutional, political and economic resources.

Such partnerships have a direct impact on regional development as galvanizers of participation. Moreover, they have an important role to play in the governance of regional and rural-urban relations. Successful

National and regional development policies are going through major transformations

partnerships address the effectiveness of existing policies and governance institutions and the potential benefits of these for their communities.

The broad territorial approach adopted in the report has enabled the identification of a **series of cross-cutting concerns** that are highly relevant across all territorial units (i.e. metropolitan areas, i-cities, territories). Through an in-depth analysis of contemporary development challenges, the report suggests the fundamental need for a paradigm shift in national development strategies, revising top-down approaches to move towards more 'territorialized' and partnership-based ones.

The report calls for better coordination between national, regional and local policies to strengthen the value of interconnectedness and cooperation – rather than competition – between territories, metropolitan areas and i-cities.

The 'Right to the City' approach can be the foundation of a 'new social contract', leading to societies that are more democratic, sustainable and inclusive

As argued throughout, more cooperative relationships between different levels of government and territories – as the basis for a more integrated and balanced urban system and territorial cohesion – can only be achieved through a radical transformation of our governance culture. This is a notion that needs stronger consideration in the New Urban Agenda.

Even if MLG is a necessity that can benefit local and regional governance in a number of ways, it carries certain risks. MLG should be seen as a **complement, rather than an alternative, to a better, more autonomous and ambitious self-government for regional and local authorities**. An adequate MLG framework would ensure that decentralization processes are as efficient as possible.

However, this model must respect some basic principles – **subsidiarity, local democracy and autonomy** – to guarantee that regions and local governments are self-reliant, interdependent and co-responsible for decisions that directly affect their communities and territories.

In most countries, an ongoing 'democratic transition' is eliciting administrative and fiscal territorial decentralization; strengthening the role of local governments; and supporting democratization through participative democracy and innovative city governments.

However, across the whole territorial spectrum, governance reforms have delegated an increasing number of responsibilities to elected local authorities, often without dedicating commensurate resources and powers for them to adequately fulfil their mandate and exploit their comparative advantages.

When it comes to local economic development, the advent of the 'third' industrial revolution, based on new digital technologies in which agglomeration factors and economies of scale have a much lower importance, could diminish the 'tyranny' of mass production and reward economies and societies built on proximity rather than distance, and human needs rather than mass consumption.

The expansion of the service sector, including direct services to the consumer, and the growing integration of different stages of the product cycle (especially production, use and maintenance), are creating new market opportunities for certain functions that are either better performed locally or have traditionally been carried out in a household environment (e.g. eldercare, early childhood care). The pace and scale of change gives rise to untold possibilities in our ever-transforming societies.

There is an overall and urgent need to find alternatives that enable us to **simultaneously promote a prosperous economy, social inclusion and environmental sustainability**. In this regard, the report proposes a series of steps. These include: taking advantage of the ongoing transformations of the global economy, in order to support a model of open innovation and place-based factors and foster improved job creation and economic opportunities; imagining an 'open' and inclusive urbanism that avoids marginalization; facilitating universal access to basic services and urban mobility; and promoting effective financing models to counterbalance the financialization and commodification of urban economies, as well as the volatility of the land market.

In many places, such dynamics and tensions have prompted the demand for a 'Right to the City', the claim for a collective space in which residents can directly participate in the creation of the city they aspire to. In fact, as suggested in the report, the 'Right to the City' approach can be the foundation of a 'new social contract', leading to societies that are more democratic, sustainable and inclusive, and in which cities and territories are co-created and co-managed by the people that live in them.

4.

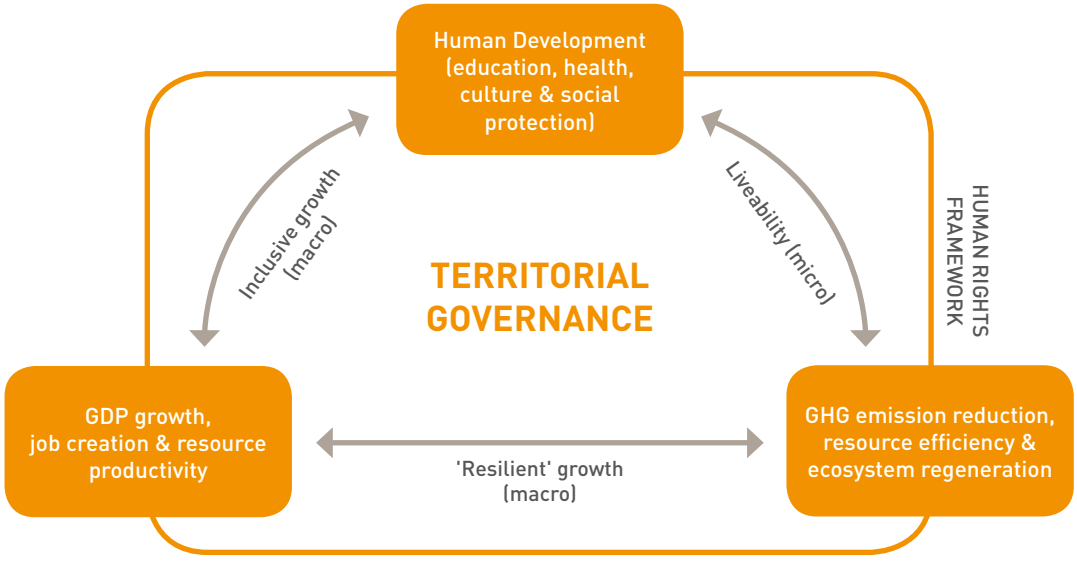
GETTING READY FOR THE TRANSITION TOWARDS A SUSTAINABLE URBAN AND TERRITORIAL AGENDA: KEY CONCEPTS

The SDGs, Paris Agreement and New Urban Agenda represent a vital new international development consensus, one that that recognizes that economic growth must be sited within the bounds of environmental sustainability and be more inclusive so as to reverse inequality and foster cultures of peace-building and cosmopolitanism.

All these imperatives are extensions of the fundamental rights established in the 1948 Universal Declaration of Human Rights. Figure 1 provides an overview of the three primary components of these new development agendas, embedded in a commitment to realize and preserve human rights across the world.

Figure 1 **Dimensions of sustainable and integrated development**

Source: Adapted from Pieterse, 'Recasting Urban Sustainability in the South'



Human development

At the heart of the new development agendas are people and their capabilities, cultural rights, identity and wellbeing. The evidence is irrefutable that the quality of life of nations and cities cannot be improved sustainably without substantial investments in people's rights, livelihoods, dignity and universal access to essential services like education, health and social protection. As stated in the SDGs, 'no one should be left behind'. Social protection measures should be adopted in all countries, and particularly the less developed among them, where socio-economic vulnerability and challenges of resilience and sustainability inevitably affect the poorer and more marginalized majority.

Inclusive economic development

As signalled in Goal 8 of the SDGs, economic growth is a precondition for development. The quality of this growth, however, needs to fundamentally change so that it is inclusive, generates employment opportunities and at the same time reduces environmental impact through the dematerialization of value chains.

As stated in the SDGs, 'no one should be left behind'. Social protection measures should be adopted in all countries

In the medium term, national, regional and local governments will have to be proactive in fostering sustainable growth coalitions that actively seek to incubate, nurture and promote inclusive and sustainable economies, businesses, clusters and innovation systems. **Local governments will need to play a catalytic role in the sustainable economy by adopting, for example, an inclusive and dynamic approach to infrastructure investment**. This is consistent with Goal 9 of the SDGs (for resilient infrastructure, inclusive and sustainable industrialization and innovation) and Goal 11 (for inclusive, safe, resilient and sustainable cities and human settlements).

Environmental sustainability

Environmental constraints necessitate a fundamentally new approach to the relationship between the natural, economic and social worlds to reduce the quantum of GHG emissions and ensure the regular regeneration of our ecosystems. This calls for a dramatic reduction of natural resource consumption per unit of economic output. **The implications for production and consumption are clear, and have a profound effect on how settlements occupy territory and interact with natural systems**. Four systemically interrelated interventions and experiments are emerging in cities around the world. If implemented in an integrated way, these could result in highly resource-efficient urban outcomes: sustainable energy, including radical resource-efficient transformation of vehicles, infrastructures, buildings and factories; spatial restructuring of the urban morphology to achieve greater densities – and a richer mix – of housing, jobs and amenities at the neighbourhood level; human-scale sustainable design that creates conditions for 'soft' mobility (pedestrianization, cycling) at the city-neighbourhood scales, and for 'passive' heating, cooling and lighting at building level; promotion of sustainable behaviours, promoting waste recycling awareness, the use of public transport, walking, cycling, urban food growing, changing diets, and the creation of parks, among many others.

Human rights

All development policy frameworks operate within the norms and values of the many international conventions that exist on human rights. These frameworks can be seen as the legal and political interface that mediates the potential trade-offs and tensions between economic development imperatives, equity requirements, and the environment. A policy framework cognizant and respectful of diverse human rights, is one that resonates with the recent spatial articulation of rights through **the 'Right to the City'** global movement. This report analyzes at length the positive impact that the values and objectives enshrined in the 'Right to the City' can have on cities and territories as living ecosystems.

On the global stage, there is renewed clarity in policy terms about what needs to be done: the SDGs, the Paris Agreement and the New Urban Agenda crystallize this. However, very few actors globally have a clear understanding of how to transition from the *status quo* to this much-awaited 'new normal'.

Long-standing vested interests; the weakness of global governance institutions to leverage compliance; little coordination in promoting the necessary changes so as not to jeopardize economic competitiveness, are all constraining the global agenda and limiting the manoeuvrability of committed stakeholders. The imperative is to foster both the relevant actors and institutions and have a clear agenda for implementation. The major challenges ahead can only ultimately be met with effective action.

Governance for a sustainable transition

As emphasized in previous chapters, decentralization of powers and functions to sub-national levels has been a general trend across many regions since the post-1970s period of globally uneven economic growth.[7] This, however, has not always been complemented by a commensurate level of funding. In most cases, the new responsibilities of sub-national governments have outweighed the financial capacity necessary to meet them. To respond to this situation, local and regional leaders across the world are experimenting with many alternative urban and territorial governance models. This is likely to continue well into the future, as these leaders search for decisional models and institutional designs that allow them to take on the challenges and complexity of the emerging urban landscape. The chapters in this report have analyzed in detail the emergence of consultation-based, collaborative governance models in many metropolitan areas – and, in particular, the role that civil society and its organizations can play in the creation of a more transparent, participative and inclusive governance (see Section 2.5 in Chapter 1).

At the core of adaptive governance reform is a commitment to experiment and innovate. An urban experiment should be '[a]n inclusive, practice-based and challenge-led initiative designed to promote system innovation through social learning under conditions of deep uncertainty and ambiguity'.[8]

It is under the aegis of adaptive experimental modes of urban governance that cities and territories can become the laboratories of the future, and the hallmark for the current global transition towards sustainable and inclusive development.

Two patterns have so far emerged. The first is a peculiar 'algorithmic' urbanism that backs the increasingly common 'smart city' agendas. This perspective has attracted massive investment, but also criticism as a corporate-thinking greening of splintered urbanism, and is advocated and adopted all over the world. The second is a more heterogeneous and creative urban experimentalism, committed to citywide open-source inclusiveness, with specific attention to cooperation and rural-urban co-existence.

Local and regional governments have an important role to play in stimulating and supporting urban and territorial innovation which embodies and commits to the principles aforementioned. The transition towards a more sustainable and inclusive future, however, differs in each context. **The narratives that drive urban and territorial transitions are a product of varying power relations and understandings of what needs to be transformed, how and why**. There is no single best practice, political strategy or universally applied formula for a seamless, incontrovertible transition to a better sustainable urban future.

In the next section, we explore some of the substantive elements (and challenges) of these dynamics.

It is under the aegis of adaptive experimental modes of urban governance that cities and territories can become the laboratories of the future

Photo: Matthew Pintar - Ushuaia (Argentina).

5.

A TERRITORIAL PERSPECTIVE ON A NEW DEVELOPMENT AGENDA

The relevance of sub-national territorial units has increased significantly in development policy in past decades, partly as a consequence of the globalization processes that have accentuated and galvanized their centrality.[9] As argued in the chapter on 'Territories: Regions, Small Towns and Rural Municipalities', 'globalization is progressively increasing the importance of regional processes and the role of local actors in shaping development trajectories'.[10]

These phenomena are taking place within the framework of decentralization and regionalization across all world regions. This has reinforced the role of metropolitan areas as 'engines of development', redefined the functionality of i-cities as nodes of territorial development, as well as asserted the role of regions in taking a more proactive role in development strategies.

These trends create the conditions to promote a paradigmatic shift in the approach of national development strategies. The concept of a **territorial approach to development** (TAD) is emerging as a key operational tool to boost endogenous, integrated and incremental growth strategies at local levels that reconcile human and sustainable development.

Chapter 3 of the full report posits TAD, focusing not only on its origins and different applications, but also on its prospective role in the emergence of coherent regional planning and development strategies worldwide. This is in order to empower sub-national governments and take full advantage of their proximity to territory. TAD is instrumental to the transition towards a sustainable future that could only be achieved with the **strong involvement of people, local communities and institutions to co-create their cities and territories**.

This process should be activated by constructing a broad local alliance of actors who **share a common vision** and are able to trigger a set of **levers of change**. Their vision would be consistent with the goals of empowered local governments and inclusive local communities advocated throughout this report.

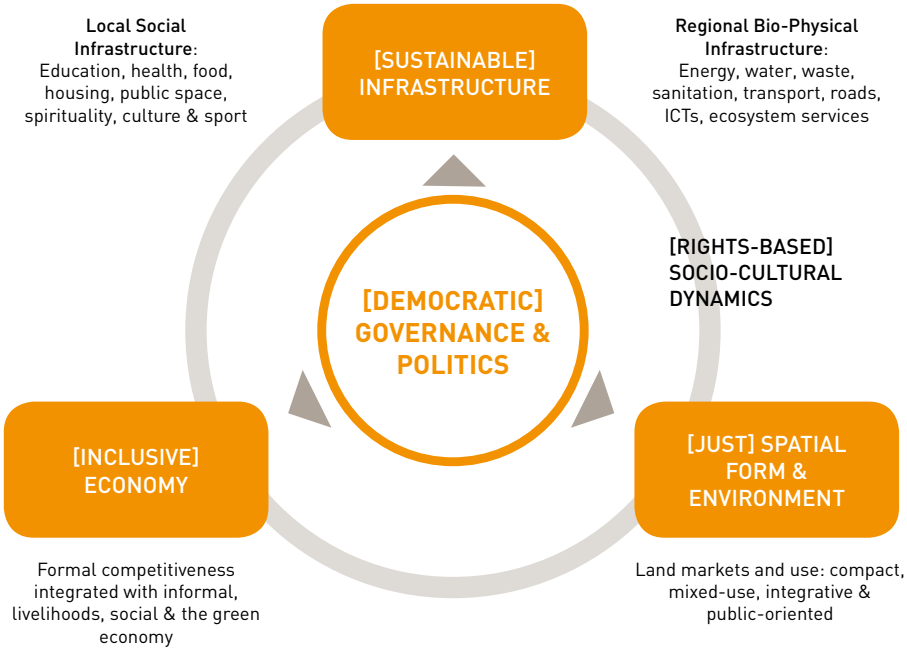
This vision builds on a simple thesis. Irrespective of whether it is highly developed or socio-economically constrained; serves an array of complex functions for a whole metropolitan area, or is a small town between rural and urban environments, a city can be conceptualized as being constituted by different interdependent **operating systems**.

These act as key levers of change: governance; infrastructure and services; economic development; social and cultural assets; and planning. Inclusive growth and social and environmental sustainability should be mainstreamed throughout all these operating systems.

This conceptualization (see Figure 2) allows policy-makers and all urban and territorial stakeholders to have an overview

Figure 2 **Interdependent territorial operating systems**

Source: Pieterse, 'Building New Worlds'



of the policy actions needed to promote endogenous development, inclusiveness and environmental sustainability, as defined in and pursued by the new global agendas.

Lastly, after a brief analysis of each of these levers, the section addresses strategic planning as a holistic and powerful approach to create local coalitions of stakeholders and align operating systems on a truly transformative path.

Governance operating systems

Governance denotes the full range of institutions and actors enrolled in a variety of processes to manage the affairs of a given territory. Governance is distinct from government in that it pertains to the 'relationality' between elected and administrative governmental entities and organizations within civil society and the private sector.[11] A governance operating system is co-constituted by the infrastructure, economic, socio-cultural and planning operating systems described below.

As previous chapters illustrate, layers of MLG organizations constitute the local and regional government institutional arena. The increasing complexity of the urban and regional landscape – metropolitan regions, urban corridors, metropolitan areas, i-cities, supra-municipal institutions, small towns and regions – calls for particular attention to be given to MLG in order to ensure spatially balanced and polycentric development.

Certainly there is a friction between the urban phenomenon and regionalization processes of the 21st century. This has challenged the capacity of existing institutional frameworks to support new forms of interaction and make them evolve towards a multilevel, collaborative or 'shared' governance approach.

Sub-national governance systems are anchored in local and regional governments that should ideally fulfil a leadership, agenda-setting and mediating role amid competing priorities and interests. The starting point for effective local government should be the criteria established in international guidelines on decentralization and strengthening of local authorities, adopted by the UN-Habitat Governing Council in 2007.[12]

As has already been stated, democratic and collaborative urban and territorial governance systems should always be based on local democracy and subsidiarity and be granted adequate capabilities and resources to set up 'equalizing' financial mechanisms

Democratic and collaborative urban and territorial governance systems should always be based on local democracy and subsidiarity and be granted adequate capabilities and resources

and foster solidarity within cities and territories.

This is a necessary precondition to transform the operating systems of urban settlements and territories in the direction of integrated and sustainable development, as envisioned in the SDGs, and to ensure sub-national capacity to promote the 'Right to the City'.

Governance systems should ideally be complemented by a variety of participatory mechanisms that allow citizens and collective interest groups (community-based organizations and social movements) to play an active role in local and regional affairs.

Shopping mall-centred, retail-driven commercial hubs further exacerbate the splintering effects of privatization of infrastructures and the public space

Both these domains – representative democratic processes and participatory governance – can be enhanced to ensure transparency and accountability and improve the quality and responsiveness of sub-national governments. The need to support a heterogeneous and proactive civil society will be further analyzed within the strategic planning approach – since strong local coalitions shaped by a shared vision are essential for genuinely shared governance. This will also be addressed in the discussion on the establishment of a new social contract in cities and territories, a principle that strengthens the SDGs, the Paris Agreement and the New Urban Agenda, and in turn the impact they have.

Infrastructural operating systems

Social and economic life cannot function without the flow of energy and effective water, transportation, waste and data management systems in human settlements. These constitute the socio-technical metabolism of settlements. Expert knowledge accumulated over the past century about how to manufacture, install and operate large infrastructure has been premised on a number of assumptions. These are: i) fossil fuel energy sources are infinite or, at least, sufficient for a certain level of development; ii) space needs to be designed around the needs of mobility and, during the last century, a car-based understanding of it; 3) the state has a duty to ensure the roll-out of universal infrastructural grids that could optimize economies of scale and achieve the ideal form of modern urban spatial organization, while preserving the universality principle for access.[13]

The first two assumptions have had a profound effect on the spatial form of human settlements, which are increasingly marked by sprawl and extensive land use.[14] The last is being more and more questioned by public goods commodification trends. **The new global agreements and agenda represent a growing awareness of the obsolescence and negative effects of the premise upon which infrastructural development has been built.**

As mentioned in the previous chapter, towards the end of the 20th century, the commodification of public assets favoured the emergence of a 'splintered urbanism' and fragmented infrastructural investments. This produced a growing spatial fragmentation, social exclusion and dramatic inequality in access to infrastructures.

This trend, which started three or four decades ago, has now produced a profound crisis in infrastructural provision, coverage and maintenance, which is particularly serious in developing countries. These features have worsened because of real-estate trends over the last two to three decades that encouraged gentrification processes in many cities. Shopping mall-centred, retail-driven commercial hubs contribute to these trends, further exacerbating the splintering effects of privatization of infrastructures and the public space.

In the context of the SDGs, the New Urban Agenda and climate change mitigation and adaptation imperatives, it is more urgent than ever to revise these trends and adopt an alternative approach. The market-driven, fragmented infrastructure model is now seriously in question and, in many contexts, already deemed unsustainable in the short term.

As this report argues, given the citywide regional scale of network infrastructure systems, the complex institutional implications of such a paradigmatic shift require national governments, agencies and sub-national governments, as well as their communities, to collaborate and produce joint, co-owned and properly sequenced reform plans. State oversight is essential but it also requires the strong involvement of and ownership by sub-national governments and local communities for a more balanced urban and territorial development. This process needs to build on polycentric approaches, to avoid extreme polarization in urban systems and the marginalization of peripheral territories in the quest for better, inclusive and efficient infrastructure development.

Economic operating systems

The economic operating system involves the production, consumption and market structure that allows for the exchange of goods and services. This spans formal and

informal institutions and usually supposes a degree of coordination or interrelationship between them. This is particularly important since formal economic systems across the Global South, for example, absorb less than half the available labour force.[15] The rest live off the informal economy or at worst are completely disconnected from any gainful economic activity.[16] In the broader context of an ever-deepening global integration of national economies and value chains, it becomes more difficult for national and sub-national governments to protect jobs, provide support to the working poor and create employment. In the current system, such actions are paradoxically perceived as undermining competitiveness.[17]

Local and regional governments already spend significant time and effort on local economic development strategies, competitiveness ranking, reducing the cost of doing business, and so forth. As argued in the chapter on Metropolitan Areas, by thinking about the economic system in more dynamic multi-dimensional terms as the outcome of vertical and horizontal coordination, it becomes possible to explore how to reconcile the imperative for growth with a deeper understanding of the interconnection of formal, social, collaborative and informal economic practices.

The primary challenge facing local governments is to understand the economic forces and dynamics that shape their territories. Only then can they build an agenda on how best to use the routine investments and regulatory powers of the state to promote the transition from an 'extractive' economy to a sustainable one.

At the heart of this agenda is a new focus on the promotion of resilient infrastructures and more labour-intensive forms of service delivery, especially in low-income countries, as explored in more detail below.

Socio-cultural operating systems

As highlighted in various sections of this report, **social policies and infrastructures should be at the heart of urban and territorial development strategies. This is essential to guaranteeing inclusiveness and a 'citizenship rights' approach**.

Decent housing; basic services delivery (e.g. water and sanitation, transport, etc.); and education and healthcare facilities, should be a strategic priority, cultural identity and amenities also being acknowledged as anchor points for the wellbeing of a thriving community.

In accordance with a people-centred, people-driven vision of the SDGs, cities, towns and regions everywhere should reconnect infrastructure nodes with community life; promote gender equality to protect women's rights, child and youth development, and eldercare; support ecosystem regeneration through the enhancement of open space systems operated by local community organizations and other micro-economic activities; and preserve the social clustering elicited by neighbourhood improvement, slum upgrading, mobility, education, health, sport and recreation.

The transition to an inclusive and sustainable society depends also, if not primarily, on a cultural revolution

Photo: Ed Webster - Ghent (Belgium).

The chapters on Metropolitan Areas and Intermediary Cities strongly focus on the right to housing, universal access to basic services, and culture, and argue that these basic rights are as important for a fully-fledged citizenship as the right to education, health and social protection. Not all local and regional governments have direct responsibility for all these essential dimensions (they are often shared with the central government), but they are part of a broader approach built on social and human rights, endorsed by the UN, to ensure an adequate standard of living.[18]

Current economic trends tend to reinforce and exacerbate social and spatial inequalities, and deepen the marginalization of various groups in the city, actively eroding the prospect of their rights being fulfilled. As stated in Chapter 1, two out of five urban dwellers will not have access to decent housing and adequate basing services by 2030, and will have to resort to informal settlements if these issues are not adequately addressed.

Wherever local authorities have the power and capacity to deploy land-use management instruments, they can greatly improve the public resources at their disposal

With regard to culture, **the co-creation of cities and territories requires citizens to be strongly involved in cultural and creative activities, in a way that respects and celebrates their diversity and promotes togetherness**. The transition to an inclusive and sustainable society depends also, if not primarily, on a cultural revolution that can drive the demand for more sustainable production and consumption.

This is why, in the run-up to the 2012 World Summit on Sustainable Development, UCLG, in conjunction with UNESCO, called for the inclusion of culture as the fourth pillar in the sustainable development model first endorsed at the Earth Summit in 1992.[19] Ultimately, culture shapes what societies and citizens understand by development and determines how people act in various settings, be they familial, community, social networks, city and/or nation.

Planning and land-use operating systems

Planning allows cities to make their own growth expectations compatible with the preservation and valorization of their economic, social and environmental assets. As emphasized in previous chapters, planning is a key instrument to manage urban and territorial development, social inclusion, environmental sustainability and functional diversity. This is by revitalizing the public space; rationalizing mobility and local infrastructure; organizing non-urbanized land; and taking advantage of key resources, such as historical heritage and the natural environment. The SDGs and the New Urban Agenda devote considerable attention to 'participatory and integrated planning' to build inclusive and sustainable cities (SDG 11.3).

With regards to land management, given the centrality of land markets in urban development, **local governments must adopt clear and effective laws and regulations to mediate the functioning of such markets**. Moreover, they need to counter the emergence of intense socio-spatial gaps and inequalities usually associated with social fragmentation and sprawl-based development patterns. However, local and regional governments do not always have the necessary political or institutional capacity to engage markets so that the institutions and actors that currently control them are oriented towards a more sustainable path.

Realizing the right to housing, sustainable and integrated human settlements demands a very different approach to land-use and land-value capture. For instance, land use in conditions of scarce availability must be optimized through densification and use multiplication, in order to foster stronger economic and social synergies and positive agglomeration dynamics.

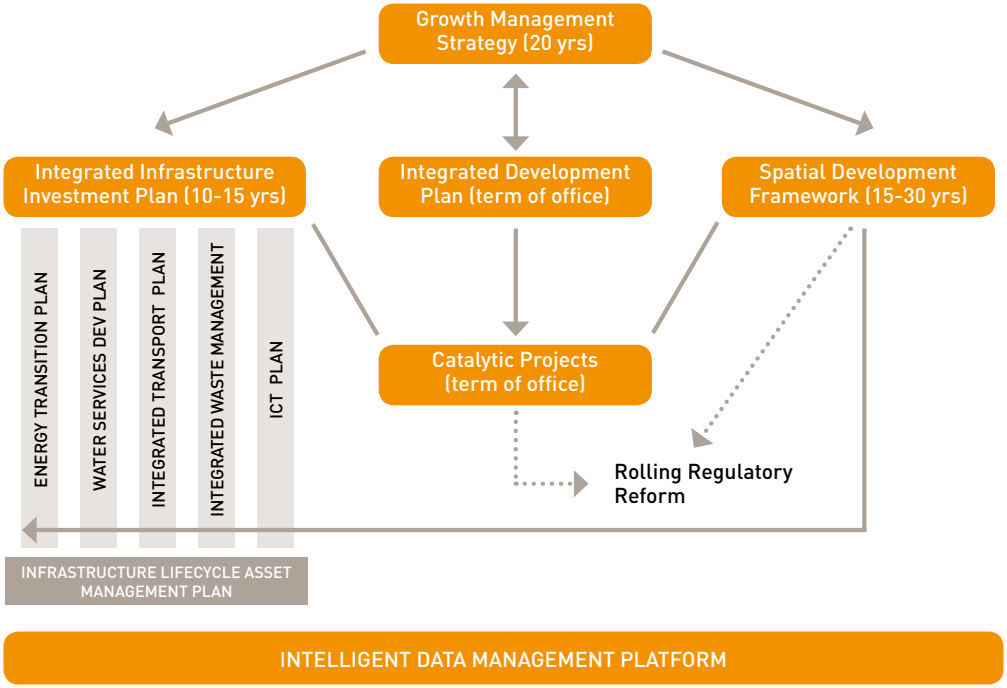
Furthermore, the regeneration of natural systems, especially ecosystems, should be central to the repurposing of land use, to ensure optimal integration between natural and built environments. In most societies, land also has an important cultural significance. By dealing with claims for land justice and restitution, access to it can become an important driver of the social recognition and inclusion of historically marginalized groups.

The land-use operating system will prove particularly important in ensuring the viability of local finance-raising strategies. The material application of the New Urban Agenda, moreover, will be accelerated through the 'smart' calibration of renewable energy systems; intelligent mobility systems; sustainable economic clusters; mixed-use precincts, all underpinned by regional innovation systems. These investments will impact land markets significantly, while offering an unprecedented opportunity to optimize land-value capture instruments and further finance the urban transition towards sustainability.

Wherever local authorities have the power and capacity to deploy land-use management instruments, they can greatly improve the public resources at their disposal through

Figure 3 **Institutional elements of developmental local governance**

Source: Adapted from UN-Habitat and UNECA, Towards an Africa Urban Agenda



smart taxation instruments – reaping the benefits of land-value increases due to public investments and strengthening planning and market regulation. The complex implications and conditions that refer to the financing of these levers of change are examined in detail in Section 8.

Strategic planning: a powerful governance lever for an integrated approach

At the apex of the local and regional governance planning system is a long-term **integrated development strategy**. This is to implement the structural transformation envisaged in the SDGs and the New Urban Agenda, within a 15-20-year timeframe.[20] As emphasized in previous chapters, local and regional leaders need to move away from fragmented sector-specific decision-making to a more **strategic approach**. This must take into account the systemic tensions between inclusion and sustainability, and the necessity of economic growth.

Strategic planning, as argued throughout the report, is a powerful way to engage institutions, businesses, community bodies and citizens, as well as other levels of government, in a common project about governing cities and territories. Regions, cities and metropolitan areas are building experience in strategic planning to create consensus and foster strong local coalitions in support of a long-term vision for all stakeholders. Their agreement and cooperation on *status quo* conditions and future prospects and trajectories is pivotal to defining what needs to be done in the short, medium and long term.

Strategic plans should be founded on a holistic understanding of demographic and environmental changes, economic structure, labour market shifts, and the operating systems (both formal and informal) active in a given area. A strategic plan should be supported by an **integrated infrastructure plan** and the above-mentioned **spatial development plan**: if consistently integrated, these can generate a land-use regulation approach that enables innovation, integration and value generation for public interest (see Figure 3).

None of these instruments – the life cycles and effects of which span several decades – can be meaningful, credible or robust unless

Strategic planning is a powerful way to engage institutions, businesses, community bodies and citizens, as well as other levels of government, in a common project about governing cities and territories

they are produced by local authorities with substantive engagement from non-state actors and other tiers of government.

Transitions towards a more socially inclusive and sustainable economy will depend on the extent to which strategic plans secure a number of profound infrastructural shifts. This needs to be combined with an effective human capital (i.e. education) strategy for the local authority area. For example, as developed in Chapter 1 on Metropolitan Areas, local governments should consider renewable energy systems that blend grid infrastructure networks, decentralized mini-grids and off-grid generation capacity when those are the only affordable options.

it is vital for local authorities to co-generate a compelling narrative about the identity and future of a city, region or town

This potentially transformative trajectory will require coordinated infrastructure planning; aligned fiscal investments; the encouragement of renewable energy firms and social enterprises (including informal sector economy); training and support systems to allow new technological approaches to mature and find social and cultural resonance. Similarly, transforming local mobility systems to ensure inter-modal operability for consumers will go a long way to making local areas more fair, accessible, socially diverse and efficient.

This is all the more true if these strategies are combined with an expansionary focus on efficient and affordable public transport, and coordinated with micro-entrepreneurs and the informal sector. These plans should deploy new infrastructure and planning regulations to support non-motorized mobility. The effectiveness of these actions, moreover, can be enhanced if these participatory dimensions take place within an actual MLG architecture that is both horizontally and vertically integrated.

Spatial plans should not be conceived as traditional master plans or blueprints, but rather as a landscape analysis of land uses, histories, heritage values, cultural norms, and natural systems (even disappeared or degraded ones). They should of course consider the built fabric and extent to which this contributes to common public spaces, and democratic public life.

It is impossible to enhance the social value of land – as required by the 'Right to the City' – without rigorous spatial analysis. In fact, engagement with the spatial dynamics of a city is an effective way for citizens and communities to energetically engage with the dynamics of their micro-environments at a neighbourhood scale.

This also provides important entry points to analyze and discuss the imperatives of spatial justice by looking at how various parts of the city, towns and territories have access to infrastructures and services, economic opportunities and social and cultural assets.

These policy tools empower elected local authorities, not only to formulate plans for their term of office, but also to shape a portfolio of catalytic projects that contribute to a longer-term transition narrative. Of course, not all strategic plans are successful in their formulation and/or implementation. Development priorities are contested, and there is a risk that certain governmental or corporate interests negatively affect or jeopardize meaningful citizen participation.

The range of services and actions of most local authorities are often too vast and too dull to meaningfully engage citizens and media. In the contemporary media-driven polities of our era, it is vital for local authorities to co-generate a compelling narrative about the identity and future of a city, region or town. This discourse needs broad-based public support and legitimacy. For example, a few high-profile projects that are vested with a lot of political and symbolic capital are perhaps the easiest way to generate this kind of consensus-driven approach.

These can often be the source of useful resources for local and regional political leaders and contribute to building unity and common purpose in a community. However, these catalytic projects should not be based on sheer self-promotion or place marketing. Strategic planning can only be truly effective and radically change the prospects and development trajectories of a community when it provokes imaginative responses to local structural problems and reflects the cultural ingenuity of local creativity, talent and solidarity.

6.

NATIONAL URBAN AND TERRITORIAL POLICIES: IMPERATIVES OF MULTILEVEL SHARED GOVERNANCE

As discussed in Chapter 3, local action is already a significant part of the institutional story. In order to support the paradigmatic shift towards TAD, urban settlements and territories need also to vertically align and coordinate with other tiers of government. For national sustainable development to succeed, a massive cultural and institutional transformation is required. This would replace traditional, nationally-driven, top-down public policies and sectorally-segmented plans with a more coherent, polycentric and distributed model that harmonizes national priorities and frameworks with local and regional expectations and initiatives.

MLG frameworks acknowledge the existence of numerous interdependent actors with an interest in the effective functioning and future prospects of a given area, town, city or region. Both the horizontal and vertical dimensions of the MLG system can typically be analyzed from a sectoral perspective (e.g. health, transport, energy, housing, among others). However, given the high degree of interdependence between urban sectors as well as rural and urban environments, high-performance territories must build on cross-sectoral mechanisms to enhance coordination.

As Chapter 3 on Territories shows, different levels of government will inevitably have overlapping roles, functions and responsibilities. There is no one-size-fits-all model, and what gets devolved, how and to whom, is a very specific feature of each individual sector. The final outcome is not a well-ordered picture consistent with a conventional hierarchical structure, but rather a fluid, variable mix that needs to be constantly (re-)negotiated and facilitated.

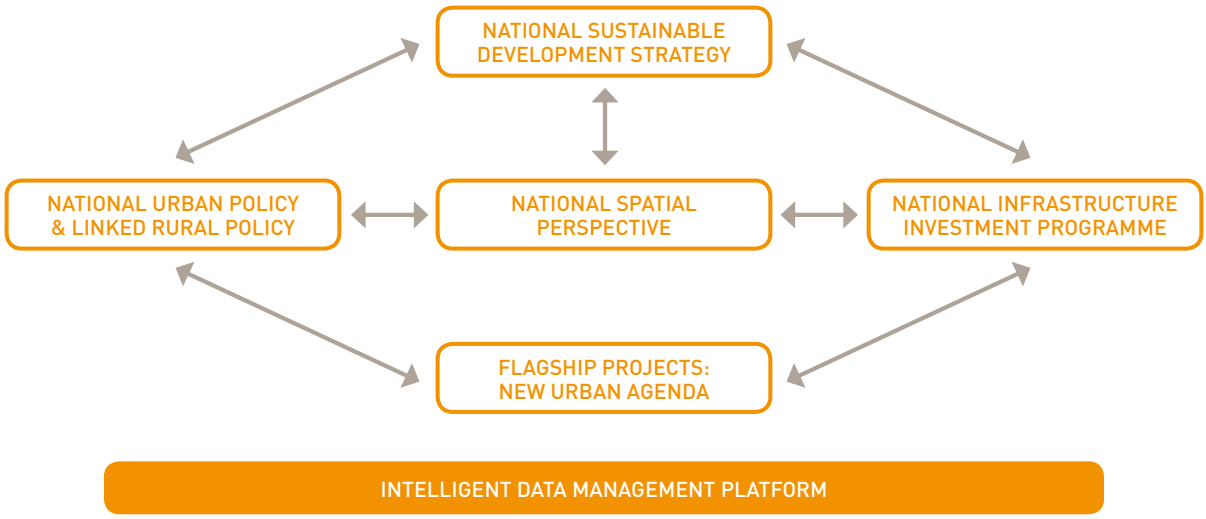
This section sets out how the new multilevel architecture can deliver on the SDGs and the New Urban Agenda. In keeping with the overarching thesis, it sets out the generic elements of a multi-actor local governance system that serves as the primary driver of national mechanisms. These are discussed later.

Multilevel governance (MLG): national dimensions

Urban and regional strategic planning frameworks also have huge repercussions for the way in which a country plans and defines its overall development policies. Strategic planning at the local level affects (and should contribute to) the development of comprehensive national urban and rural policies, national regional and spatial plans, and sustainable national infrastructure investment programmes.

All these are key components of what the UN prescribes as a national sustainable development strategy (NSDS). The NSDS is a core recommendation of 'Future We

Figure 4 **Enabling national institutional mechanisms**



Want',[21] the outcome document of the 2012 United Nations Conference on Sustainable Development, and builds directly on the proceedings and results of the 1992 Rio Summit (see Figure 4).

These mechanisms oil the wheels of vertical MLG systems as national governments, through regular dialogue with other tiers of government, foster negotiation across the national territory. **They also institutionalize a bottom-up national planning and coordination system that supports the achievement of the SDGs and enables an effective flow of national resources to local and regional levels.**

Because patterns of development are uneven across national territories, ongoing negotiations will be needed about differential investments and support to ensure the whole territorial system moves towards the goal of a balanced development rooted in place-based specializations and complementarities. This indicative framework provides the minimum institutional requirement for MLG to work in practice. However, as argued in Section 2.2.3 in Chapter 3:

> 'MLG is the policy-making mechanism of choice to foster dialogue and collaborative governance across different levels of government. It can bring about a number of beneficial effects for local and regional governments, but is hindered by certain persistent risks. It is not, ultimately, a neutral concept. MLG favours efficient and effective public policy-making, while regional authorities emphasize the recognition of their democratic legitimacy in their quest for a greater role in traditional policy-making structures. The focus thus moves from the recognition of sub-national governments' responsibilities to the efficiency of concerted public policies as paramount'.

The need for a strengthened MLG framework is a view shared by the emerging global consensus. The SDGs reflect the spirit of the broader sustainable development agenda enshrined in the 1992 Rio Summit. The outcome of that event was Agenda 21, which established the normative and programmatic framework for the role of nations or countries in sustainable development.

Chapter 8 of Agenda 21, in particular, calls on countries to adopt their NSDS, building on and harmonizing their various national sectoral economic, social and environmental policies and plans. Paragraph 21 of the 2030 Agenda Resolution, moreover, acknowledges 'the importance of the regional and sub-regional dimensions, regional economic integration and interconnectivity in sustainable development. Regional and sub-regional frameworks can facilitate the effective translation of sustainable development policies into concrete action at national level'.[22] As these global reference

documents show, there is strong awareness that national policies alone are not enough and require a local expression to achieve sustainable development.

National urban, spatial and infrastructure policies

Ideally, national development strategies should be defined in a coherent and coordinated manner with national urban, rural and spatial policies, and regional infrastructure investment strategies. They should take into account macroeconomic indicators to establish the connection between urbanization and demographic dynamics and the overall process of national development.

Specifically, '[n]ational urban policy should help to harness the benefits of urbanization while responding to its challenges through the development of a much broader, cross-cutting vision of an urban landscape'.[23]

This assumes that national offices in charge (ministry, department, *ad hoc* units) are employed to generate the evidence and coordinate the intersections of economic and investment policies and other related public policies, with spatial changes (i.e. urbanization and ruralization), thus altering demographic patterns and national and sub-national strategies.

The unique value of a national urban policy (NUP) is that it is able to project better urban outcomes by clarifying how sectoral policies connect and are best aligned. An NUP can then have concrete impacts on what the dimensions of an enabling institutional environment – including MLG institutions – might look like and create the basis for transferring a greater proportion of funds to the regional and local scales.

Accordingly, 'a national urban policy complements rather than replaces local urban policies by embracing urbanization across physical space, by bridging urban, peri-urban and rural areas, and by assisting governments to address challenges such as integration and climate change through national and local development policy frameworks'.[24]

It is important that national policy instruments create mechanisms that can ensure a dynamic understanding of how the different typologies of settlements (metropolitan areas, i-cities, small towns and rural areas) intersect and are co-dependent, with a view to how the coordination of national and local policies can optimize synergies.

With this in mind, NUPs typically contain five dimensions: i) a sound diagnostic of the drivers of urbanization and uneven development patterns at the national, regional and local levels; ii) a strategic agenda to deploy infrastructure and service provision, connecting urbanization and structural transformation; iii) context-specific guidelines for MLG arrangements; iv) effective monitoring frameworks that can ensure transparency and accountability; and v) a methodology for sustained policy dialogue across the different levels of government, institutional (public, civic and market) and sectoral divides.

A number of practical outcomes can be achieved once an NUP is mainstreamed. Some of the salient ones are:

National development strategies should be defined in a coherent and coordinated manner with national urban, rural and spatial policies, and regional infrastructure investment strategies

Photo: Alexander Fisher - Almaty (Kazakhstan).

1. establishing a technical and political consensus on an NUP, including the objective, added-value, contents, scope and timeframe;
2. establishing a participatory mechanism to facilitate policy dialogue between national and sub-national levels, as well as state and non-state actors, to engage from the outset all key stakeholders in the NUP process;
3. creating a national and shared vision and strategy for urban policies, with clear objectives, targets, responsible institutions, and implementation and monitoring mechanisms;
4. reviewing and adjusting existing national legal, institutional and fiscal frameworks and guidelines of all sectors in light of the agreed strategy;
5. agreeing on the devolution of national resources to the local level, whether regional, metropolitan or town-wide;
6. setting in motion various capacity-building interventions (human, institutional, financial and technical) at all levels of government;
7. maximizing the use of technology to help evidence-based decision-making;
8. establishing a global mechanism – such as an intergovernmental panel – to ensure follow-up and stimulate policy-relevant research to support NUPs and the implementation of the New Urban Agenda.

A shared understanding of how space-economy dynamics intersect with demographic patterns, land-use change and other spatial indicators, is imperative

An important caveat is shown in Figure 4, that there should ideally be an equivalent policy that deals with rural areas and, ultimately, that the national level needs to have a coherent understanding of the territory, rooted in the evidence and arguments for both urban and rural policies.

Both institutional and academic analyses have pointed to the place-bound dynamics of globalization.[25] The flipside of this is the growing inequality between countries as well as the increasing spatial inequalities within cities and regions.[26]

Similar patterns of spatial economic inclusion and exclusion are manifest in national territories. This is highlighted in previous chapters. As regards the global agendas – Sendai, the Paris Agreement, etc. – it is clear that negative environmental impacts differ across national and regional territories.[27] A shared understanding of how space-economy dynamics intersect with demographic patterns, land-use change and other spatial indicators, is imperative. Without this, it will be much harder to reach an agreement about priorities and how to optimize connections within a polycentric system that fosters specialization and yet does not abandon the goals of balanced development.

Another pillar of national strategies requiring an approach that coordinates with urban, spatial and land policies is infrastructure investment. **In the near future, the assimilation of growing urban populations into productive, peaceful and healthy cities will be contingent upon access to urban infrastructure and services** (energy, transport, sanitation and housing, among others). In addition, infrastructure systems and standards can make an enormous difference to an economy's overall inclusiveness and environmental impact.

Energy is perhaps the most common example. Many countries continue to rely mainly on fossil fuel-based energy sources for base-load energy (e.g. coal) and mobility systems (e.g. mostly oil-based). Changing the energy mix of a country or regional bloc can bring huge efficiency gains. Nordic countries, as well as China, Germany, Morocco, Rwanda, Costa Rica, Uruguay, South Korea and Ethiopia, among others, have demonstrated the importance of national infrastructure plans to accelerate these reforms.[28]

The ways in which these investments shape sub-national regional economies is key. **Through adequate national funding mechanisms, governments are able to contribute to the articulation of national and local-level plans and investments, at the same time raising important questions about implications for MLG.**

New technological opportunities that favour localized production and coordination of service provision can be even more cost-effective and efficient. National infrastructure strategies can be an ideal space for different levels of government and stakeholders to strike a deal on these issues. This is particularly important in poorer countries, where the national government often has to underwrite all infrastructure revenue collection and local governments have neither the capacity nor the autonomy to access international financial markets.

A consistent MLG framework provides a basis for intergovernmental negotiations about how national investment priorities will manifest at the regional and local scale, and ensure consistency with local planning and development instruments.

Lastly, NUPs and spatial and infrastructure strategies should be publicly available through open data policies, encouraging interest groups and citizens to continuously improve the evidence base, analysis and choices.

An open-source data management system that provides insights into the differential spatial dynamics of the territory and sub-regions is invaluable for accountable and responsive MLG. This also helps enhance transparency, accountability and legitimacy about public sector decisions across sectors and territories.

The New Urban Agenda must be consistent with the SDGs and therefore break with a 'business as usual' approach. The deep institutional and political changes needed for the public sector and key social partners to deliver on the promises of Agenda 2030 are contingent upon the legitimacy and confidence of institutions and actors.

Legitimacy tends to flow from participatory policy processes that are genuine and meaningful. Confidence grows when diverse social actors can see the tangible effects of the new agenda's consistent implementation. The SDGs and targets are so numerous that all countries and governments will have to identify and pursue priority flagship projects that embody the new agenda. These projects must be carefully selected and substantive in nature.

Local and regional governments within this framework must act strategically, continuously learning, adapting and innovating, and marshalling the diverse institutions and interests of a given territory towards the shared goals of sustainable development. Such local state actors will be able to lead and foster strong leadership, action and knowledge networks spanning diverse social institutions, and consolidate durable partnerships that are fully equipped to deliver on democratically defined mandates.

In summary, **the MLG approach must spell out the principles and mechanisms in order to ensure an interdependent aligned function that is consistent with the imperatives of democratic decentralization and subsidiarity**. Furthermore, MLG must address transnational coordination; multilevel functional arrangements between spheres of government and associated agencies; and differentiated sub-national institutions; thus ensuring overall integration and transparency. Sustainable settlements require sub-national regional priorities and greater localization, in order to foster citizenship and democratic community control.

Photo: Steven Pisano - New York (United States).

7.

A SOCIAL CONTRACT EMBEDDED IN SHARED GOVERNANCE

Shared governance

MLG between different levels of government – as discussed in previous sections and chapters – is not on its own enough to achieve the goals of the emerging global agenda. As important is shared governance between the state and a variety of social and private actors. In fact, the accountability that flows from shared governance is the only real guarantee that the institutional elements of MLG will fulfil their potential.

Nevertheless, it would be naïve to assume that local and regional authorities and their social partners will eagerly embrace this agenda.It involves changing the *status quo*, at the same time as adopting uncharted institutional formats that could be perceived as a loss of power and control.

For the necessary political reforms to happen, the agenda needs popular support

Formal democratic systems arguably exist to order and regulate power so as to avoid undemocratic outcomes. Democratic elections for different political parties representing diverse ideological and programmatic agenda help calibrate the values and aspirations of citizens and those political representatives they elect.

However, **evidence from regions around the world shows that citizens can be disenchanted because their expectations are not always met by the political system** and, for this reason, that modern political processes need to extend beyond formal systems to cultivate an empowered citizenship, democratic CSOs and thriving social movements.

Since the early 1990s, the global movement towards participatory democracy has been characterized by countless policy attempts to extend formal political representative processes beyond the ballot box to include all instruments that give citizens and their organizations an opportunity to shape public policy. The spirit of this was strongly present in the Habitat Agenda adopted in 1996.[29]

As underlined in Chapter 1, however, even when political systems incorporate a formal commitment to participatory governance, a number of vested interests can still jeopardize processes and produce exclusionary and retrograde outcomes.[30] In this regard, strong, independent movements able to mobilize around a rights-based agenda are a precondition for participatory politics.

As a consequence of this steady evolution towards more inclusive and participative politics, over the last decade a new discourse on the 'Right to the City' has taken hold in an ever-growing number of countries and cities - and this should be at the heart of the New Urban Agenda.

'Right to the City'

The 'Right to the City' is a rallying cry from a variety of social actors to put a strong and wide-ranging normative framework at the centre of the New Urban Agenda. As a discourse and movement it seeks to consolidate the first, second and third generations of established rights as defined in the 1948 Universal Declaration of Human

Rights and the 1966 UN Covenants amongst other key documents.[31]

Exacerbating spatial inequalities and deepening marginalization of various groups have so far impeded the fulfilment of basic rights (e.g. access to health, housing and property) in many regions around the world. Against this backdrop, the 'Right to the City' seeks to establish a new 'common order' that promises to protect and expand the commons and strengthen the social and environmental functions of the city.

In this regard, **it develops as an inalienable right for all those who reside in a settlement, irrespective of nationality or status.** The 'Right to the City is a collective and diffuse right that belongs to all inhabitants, both present and future generations, analogous to the right to environment enshrined in international agreements on sustainable development, which states interpret through their own national laws and jurisdiction'.[32]

Its all-encompassing nature is evident in the catalogue of components identified in the UCLG Global Charter-Agenda for Human Rights in the City and the World Charter for the Right to the City.[33]

The following lists its core features: a city free of discrimination; a city with inclusive citizenship granting equal rights to all residents, enhanced political participation, equitable access to shelter, goods, services and urban opportunities; a city that prioritizes the collectively defined public interest, quality public spaces, cultural diversity, inclusive economies, secure livelihoods and decent work for all; a city that respects rural-urban linkages, protects biodiversity, and natural habitats and supports city-regions' and city-towns' cooperation.

For the necessary political reforms to happen, the agenda needs popular support. This implies large-scale mobilization and advocacy from coalitions of committed stakeholders. It is therefore important to link the aspirations of the 'Right to the City' to long-term efforts to raise awareness among popular classes and excluded groups.

When organized, these constituencies have the potential to bring about change, be proactively engaged in policy formulation and act in their own interests by fostering alternative forms of development, using legal strategies to reinforce these cultural processes while including and involving more citizens and collectives.

Thus the 'Right to City' will only take hold if there is explicit political commitment by local and national governments to entrench its agenda in law, accompanied by supportive policies. It is crucial that local authorities who champion it recognize the constitutive importance of a rich, vibrant, plural, democratic and expansive public sphere.

Photo: Jeff Attaway - Dakar (Senegal).

A large, constructively 'noisy' public space needs a buoyant civil society and a high degree of tolerance for diverse (or even competing) forms of democratic expression.

Ultimately, the 'Right to the City' reflects a political vision, a new horizon. It offers a set of comprehensive actions that can help put cities and towns on the right trajectory to fulfil this vision.

Beyond the political ideals, it will require an unwavering commitment to shared governance and the co-production of the urban space to become part of the institutional landscape of regions, cities and towns.

Co-production of cities and territories

Co-production has emerged as a key theme in the broader governance politics of basic service delivery, especially for the urban poor and in the cities of the Global South. It highlights a persistent reality: many local

Ultimately, the 'Right to the City' reflects a political vision, a new horizon. It offers a set of comprehensive actions that can help put cities and towns on the right trajectory

authorities are responsible for basic service delivery in their jurisdictions but are typically unable to meet the scale of the demand, especially when they are not provided with sufficient resources to do so.

This can be due to a lack of capacity, institutional means or political will, or a combination of these. In such situations, oppositional 'claims-making' politics can only go so far before there is a need to identify effective practical mechanisms for actual equitable service delivery.

This is the context in which various slum-dweller movements and federations, often organic in nature, will have to operate to produce different forms of political engagement.

In terms of access to basic services – the bedrock of the poverty reduction agenda of the SDGs and the New Urban Agenda – co-production denotes collaborative processes between social movements and the local/regional government.

This is needed to work out a shared understanding of the scope and scale of both the problems faced and the potential responses. Co-production should begin with evidence of the challenges and obstacles that hinder or impede service delivery, as well as possible social policies to overcome these.

Movements, communities and groups should be a primary source of information and knowledge in this regard. The collection of reliable data on a given community is both a source of power and a mechanism to embed the social movement in the community. It gives movements an entry point to mobilize households to participate in service planning and implementation processes.

Accordingly, 'the reasons favouring co-production, including the need to build strong local organizations, able to demonstrate alternatives that have local popularity and scale, draw in multiple resources and strengthen local organizational capacity for planning and implementation'.[34] As discussed in the chapter on Metropolitan Areas, the work of Shack/Slum Dwellers International (SDI) and the Asian Coalition for Housing Rights (ACHR) are powerful examples of this approach.[35]

This form of co-production is part of a much larger area of shared governance that includes strategy, plans and monitoring systems at the citywide or neighbourhood scales; service delivery processes; advocacy and agitation; and social learning. Table 1 provides a synoptic summary of these.[36] The discussion then turns to the equally important enabler of sustainable and inclusive local development: finance.

Table 1 **Co-governance instruments at the local level**

BUILDING BLOCKS	POTENTIAL CO-GOVERNANCE MECHANISMS
1. Strategy and planning	• Macro long-term strategic. • Spatial development frameworks. • Local and neighbourhood level plans.
2. Service delivery innovations	• Participatory service delivery planning, budgeting, management and monitoring. • Joint delivery systems at the local level. • Public auditing mechanisms. • Digital crowd-sourcing of service delivery problems and bottlenecks. • Digital feedback mechanisms (e.g. sensors). • Dedicated financial and training resources.
3. Advocacy and agitation	• Ensure open spaces for public consultation. • Ensure legal protection for civic actors. • Ensure right to information, a free press and freedom of expression.
4. Social learning mechanisms for innovation	• Establish and support regional innovation systems. • Promote a culture of public debate to foster a shared dialogue and life-long learning.

8.

FINANCING URBAN AND TERRITORIAL DEVELOPMENT

The call for action launched by the New Urban Agenda addresses the key issue of financing the public goods, infrastructure and public services necessary to ensure inclusive and sustainable urban development.[37] **This challenge is further complicated by unfavourable macroeconomic conditions, including a slow-down in emerging markets where investment needs are in fact the greatest.**

In an era of global economic financialization,[38] the financial sector has a crucial role to play in urban development.[39] This implies a redefinition of the role of the finance sector in attempts to increase financial flows at the city level. New allocations and reformed terms for the extension of finance are all needed to support the New Urban Agenda.

Unless the global finance sector supports sustainable cities, the current phase of urbanization will continue to be associated with the misallocation of capital, truncated development opportunities and the incubation of systemic risks.

Framing the supply and demand challenge

Finance is a means to economic and social ends.[40] The process of ensuring adequate flows of finance to the world's cities and territories has to be tailored to the higher-order goals of poverty alleviation, social inclusion and ecological restoration, as described in the SDGs and the Paris Agreement on climate change.

The stability of the global finance sector depends upon this success. In other words, the global finance sector itself has a vested interest in achieving the New Urban Agenda and promoting the transition towards a low-carbon economy.

According to the Cities Climate Finance Leadership Alliance: 'global demand for low-emission, climate-resilient urban infrastructure will be in the order of USD 4.5 trillion to USD 5.4 trillion annually from 2015 to 2030'.[41] Current investment in support of the SDGs is USD 1.4 trillion per annum. This represents one third of the funds needed,[42] with the greatest deficits being for power supply, climate change mitigation and education.[43]

Raising the money to address this funding need is important but it is not, on its own, sufficient. Attaining the SDGs will mean overcoming the structural challenges that currently impede the flow of investments to rapidly urbanizing cities in developing countries and to localized human needs.

The critical need of cities in both the developed and developing world is for 'public good' infrastructure. Public finance has an important role to play in establishing the template for sustainable urban development, into which private finance can be invested.

The SDGs will not be realized unless a greater portion of the USD 100 trillion held in pensions funds;[44] USD 140 trillion in banks; USD 100 trillion in bonds; and USD 73 trillion in equities are mobilized. At the moment, these funds do not find their way to the projects or the regions that are prioritized by the SDGs.

Only 2% of money held globally in pension funds s invested in infrastructure, and only 2% of total foreign direct investment (FDI) currently flows to the least developed countries. While there is anecdotal evidence of a 'quiet revolution' in the form of a more developmental and sustainable global finance sector, structural barriers still remain.[45]

Overcoming these obstacles, in order to generate a flow of global finance to the regions where urbanization is most rapid and needs most acute, requires financial sector innovation.[46] To be successful, this must go beyond simply ensuring greater compliance with the prevailing criteria for 'bankability' or socially responsible investment. It must reform both the supply of and demand for urban finance.

Public finance has an important role to play in establishing the template for sustainable urban development

For the global finance sector, the risk is that a series of piecemeal projects, each compliant with the narrow requirements of successful finance, will combine to create dysfunctional urban systems. **Cities shaped by this type of finance are predisposed to fail.**

Crucially, the risks generated by an increase in this 'finance as usual' approach will be embedded in the long-term infrastructure that is so difficult to change. This will constitute a future burden for asset owners, financiers and insurers and contribute to a progressive haemorrhaging of economic opportunities in the world's urban centres and regions. Recognizing new types of capital, both human and ecological, and new metrics for rendering this capital productive in local economies, is a part of the supply-side reform that is needed.[47]

On the demand side, there is a need for more 'effective demand' from the communities and concerns that are key to functional cities, as well as ensuring that the portfolio of investment opportunities is more coherent in terms of advancing sustainable and inclusive cities.

This coordination of demand is best done at the local scale, by actors that understand the unique assets and challenges of their territories and are able to ensure that money is well-spent. It is, for example, local actors that have the legitimacy to ensure that land development is responsive to changing market and social dynamics, particularly where negotiations involve different types of local authorities and actors. Equally, they are best-placed to gauge and realize the potential for land-value capture.

For this reason, creating the governance and financial management systems that enable fiscal devolution is an important first step in scaling the allocations from national budgets to the local level and ensuring greater complementarity between public funds and private sector finance. Creating sub-national fiscal capacity is not a trivial undertaking, and has to be prioritized as part of financial innovation efforts at the national scale, and a broader commitment to MLG.

To be successful, the desired 'effective financing framework' evoked in the Mexico Declaration[48] must be designed according to the socio-economic needs and means of the urban residents it is seeking to assist. Affordable housing, for example, needs to have a finance package that the target market can afford and a spatial framework that renders the housing attractive.

There are, however, profound and under-acknowledged obstacles to the formation of an 'effective financing framework'[49] and 'joint mobilization of all stakeholders',[50] that currently impede the flow of both public and private sector money in support of sustainable and inclusive cities as imagined in the SDGs.

Historically, **capital allocations have often failed to ease coordination problems, as was identified in the chapters on Metropolitan Areas and Intermediary Cities**. The disconnect between the needs of cities of developing countries and the rules that dictate the allocation of finance represents a chronic form of market failure that is at the heart of the urban financing challenge.

Unless a combination of development assistance and public funds can overcome the structural problems to these features of urban development, 'finance for [sustainable] development'[51] will not realize its potential, with the political, social and environmental risk of not achieving the SDGs or upholding the Paris Agreement. Seen through this lens, there is considerable unquantified risk in the decisions that currently inform the finance sector's operations, and the need for change is urgent.

Effective reforms will necessarily give greater attention to the local context and generate locally appropriate co-benefits. In the process, they will mobilize 'endogenous wealth', through land-based finance and reformed local taxation, to unlock new

development opportunities, as demonstrated in cities such as Medellín, Colombia, for example.[52] As the chapter on Metropolitan Areas presents, there are a whole range of mechanisms that capture rising values: public land ownership and trading; local general taxation; added-value capture mechanisms; development levies; planning approval fees; or negotiated investment pools, among others.

These mechanisms help capture part of the added-value generated by public investments in local infrastructures and services. Part of the benefits derived from urban economic activities and from the increasing value of the land are thus legitimately recovered by local governments, to be re-invested again in the public good. When ensuring that the decision-making process remains transparent and inclusive, such instruments are essential to keep up with the growing needs in infrastructures.[53] Besides, mechanisms of horizontal fiscal equalization have been used to support tax revenue-sharing throughout a metropolitan area to deliver combined services or economic development programmes.[54]

It is worth distinguishing the aspects of financial sector reform that warrant attention in three broad contexts: 'least developed cities' with weak local governance or formal finance sectors; 'developing' cities with local governance and financial sectors but poor alignment between the two; and 'developed' cities with mature infrastructure and financial governance.

Least developed cities without legitimate local governance or formal finance sectors

Only 4% of the 500 largest cities in developing countries have been able to access international financial markets and 20% could access national markets.[55] As discussed in preceding chapters, the barriers to access differ across towns, i-cities and metropolitan areas. African and Asian cities are expected to add 2.4 billion urban residents between 2015 and 2050. Unless infrastructure and services are properly financed, the difficulties assimilating these people into urban operating systems will become a source of significant social and political risk.

Many cities are trapped in a low-investment low-return equilibrium as fiscal resources are constrained by the lack of formal employment, low per capita income, and weak local capacity to collect taxes and charge users of public services, combined with low accountability.[56] Low per capita income hinders conventional user-pay fee systems for infrastructure in these cities. At the height of the commodity boom, citizens in ECOWAS countries, for example, spent less than 1% of their household income on local taxation and tariffs.[57]

Since the 1960s, Gross Capital Formation (sometimes called Gross Domestic Investment) has been less than 22% in Africa, whilst in East Asian countries it has risen to 42%.[58] The under-investment in urban infrastructure in African cities is highlighted in the case of Nairobi, where the local government spends less than USD 14 per person per year on capital formation.[59] In general, Africa faces a massive infrastructure financing gap.[60] Private finance in many of these cities is either absent or prone to chronic market failure due to weak local budgets, the lack of guarantees (e.g. freehold land as collateral), and absolute poverty. Cities in the least developed category attract very little FDI and are often described by financiers as 'high-risk', while their citizens are deemed 'unbankable'.

The conjoined finance-governance deficit and resulting lack of public infrastructure profoundly impedes development. Unless the New Urban Agenda's call for an 'innovative and effective finance framework'[61] is addressed in developing country cities, there is little prospect of achieving the SDGs.

To meet this urgent need in the medium term, cities in this category need access to financing (e.g. through lending or access to the financial market). But in the short term the focus should be on managing a greater portion of national budgets to support local governments and an effective marshalling of donor resources,[62] as well as designing services and infrastructures that are commensurate with the available finance and governance capacity, including through institutional and technical innovation.

As one analysis points out, 'there are clear ways to create more and better infrastructure for less'[63] and donor funding in particular has to commit to identifying and supporting these options.

A key problem for traditional finance is one of information and accountability or, rather, the lack thereof. The underlying principle is that enhanced understanding of the local context reduces risk, opens new finance opportunities and enables public and private finance to fulfil its catalytic role in supporting development. The importance of what the UN-Habitat is calling 'multi-actor' systems is not only to enfranchise new

The disconnect between the needs of cities of developing countries and the rules that dictate the allocation of finance represents a chronic form of market failure

citizens, but also to provide access to the type of market intelligence that will enable the judicious allocation of public funds and the opening up of new private finance markets.

National governments will be required to continue to play a role in these cities as part of MLG arrangements. Rapidly evolving cities in least developed countries have an unprecedented opportunity to build their infrastructure in a manner that anticipates climate change impacts. Not only are national treasuries or ministries of finance a critical source of public funding, through municipal banks or local development funds, but they will also need to support local authorities in their interactions with the private sector so as to secure reasonable finance terms.

This is particularly true for intermediary cities that do not yet have the types of balance sheets or rate-paying citizens to access long-term financing. In these cities, national transfers assist in breaking the 'low-investment, low-return' equilibrium.[64] Whilst local decision-makers are best placed to coordinate the spatial and technological specificity of investments, it is national governments that must compile national investment strategies to mobilize national (or international) flows towards the local level, and ensure that these are consistent with urban and rural policies.

More inclusive strategies towards public sector investment and public procurement for municipal services have the potential to create virtuous cycles of work creation

As part of the MLG approach, the formation of National Committees on Local Finance capable of transcending conflicts between spheres of government and supporting financial devolution is essential in developing countries.[65] Such committees need to be clear on locally appropriate timeframes for devolution, the process for creating accountability and effective fiscal governance at the local scale, and means of assessing the proportions of budget that should be devolved. Equipped with an observatory on local finances, these committees will be able to base their dialogue with levels of government on concrete reliable data.

Shared analysis of the situation of local finance in these countries would allow for a more equitable distribution of national resources between different levels of government. In fact, the proportion of national incomes allocated to local governments shows huge differences that cannot just be attributed to the uneven distribution of competences between different levels of governance. For example, while in developed countries the share of local government spending accounts for 30% of the national budget, it drops to 7.8% in least developed countries.[66] Likewise, while local governments in developed countries receive up to 49% of public investment on average, in less developed countries they receive less than 7.3%. Especially in low-income countries, it is essential to seek agreement between different levels of government about a progressive improvement in available local finances.

On the other hand, few such countries have specialized financial institutions dedicated to financial intermediation, able to channel long-term financing to local governments and assist them in the definition of investment projects.

International cooperation is, in this context, fundamental to providing cities with the necessary capabilities. Inaction can have a high cost: lack of investment significantly reduces the potential for economic development, aggravates social conflicts and can lead to irreparable environmental damage. Proactive and coordinated action through international cooperation can help sustain these countries in their economic transition. It can help them find alternatives to mobilize long-term investments, in the hope that rising living conditions and economic growth will enable favourable conditions, both in terms of their ability to pay and the maturity of their financial markets.

The challenge for the international community is to channel a sufficient flow of resources and promote a legal and institutional framework to orient long-term public and private resources to urban investments. International cooperation can better mobilize long-term financing in the international markets to sustain urban investment over the next two decades.

Obviously, these strategies should be accompanied by programmes to support national reforms and the strengthening of local capacities, the creation of financial guarantees to develop financial instruments adapted to the different local governments' contexts, and serve as a lever to mobilize greater resources. The cost of these mechanisms could be borne, among other tools, by ODA and climate finance funds.

Cities with emerging local governance and finance sectors

In these cities local governments have at least partial responsibility for decision-making and a measure of influence over the allocation of public funds. Yet in developing

countries, local governments receive on average between 20% and 23% of national resources. This is incommensurate with their contribution to economic growth.[67] As mentioned above, an effective multilevel governance framework is key in strengthening local governments' financial capacity.

The primary need is to increase the proportion of national resources spent locally, so as to reflect the urban contribution to the economy; strengthen local fiscal powers to capture the wealth created within their territories; enhance access to urban financing (through lending or access to the bond market); and spend available money more effectively. **This requires strengthening national fiscal systems in order to draw down a greater share of national budgets to local levels, and strengthening local revenues. Local taxation is often dependent on property tax. In the absence of appropriate management tools (e.g. cadastres) and a regular update of the tax base, property tax is often low in yield. Local revenues must be based on a diverse and dynamic set of sources (e.g. tax, non-tax, user charges, transfers) to guarantee the distribution of the benefits of economic growth across different levels of government.**

Similarly, local authorities, should explore different modalities to enhance local sources of revenues, for example through land added-value capture. **Wherever local authorities have a degree of control over land management and adequate tools to enforce it (e.g. via the cadastre) in a manner that enhances land value through investments in public goods, they can use a portion of this to raise additional investments.** In Rosario (Argentina) the municipality is able to retain the value of property increases resulting from its investment through municipal urban regulation, especially in coastal areas.[68]

The shared governance approaches mentioned above must be fully recognized by the finance sector. The goal for local authorities should be to ensure their balance sheets become creditworthy enough to access borrowing, e.g. bond market and public or commercial banks, with or without the under-writing of central government. More inclusive strategies towards public sector investment and public procurement for municipal services have the potential to create virtuous cycles to attract investments, create jobs, improve household incomes and respond better to the needs of communities. Such efforts forge the kind of social contracts that mitigate risk ('de-risk') and at the same time enable private sector investment.

Land added-value capture is particularly useful for fast-growing cities, provided it is supported by clear and transparent rules to minimize the risk of corruption. Many developing countries, however, still do not use these instruments despite their great potential to mobilize investment and resources.

Strengthening the mobilization of local resources can contribute to local governments' improved creditworthiness, allowing them to increase their borrowing capacity and credit ranking vis-à-vis investors. Given the urgency and the magnitude of investment needs, strong creditworthiness and the mitigation of financial risk are essential to grant access to long-term external financing and, at the same time, attract private investments (e.g. in the form of PPPs).[69]

The quality of local governance, transparency and accountability are also critical to strengthening local governments' credit ranking. The quality of developed projects, their consistency (e.g. through integrated and long-term planning)[70] and their impact on economic and social development are all important conditions for investment attractiveness. A clear legal and regulatory framework is essential to encourage private investors and strengthen local governments' capacity to negotiate with them when promoting urban public goods.

However, the principles that guide investments in the 21st century cannot be limited to short-term financial profitability. Investment analysis criteria need to include positive long-term externalities that link economic prosperity with environmental sustainability and social inclusion. Private sector banks, for instance, should also seek new partnerships that allow them to co-invest in public goods and commit to sustainability criteria.[71]

At the same time, if emerging cities are not to pursue the same urban development pathways as cities in OECD countries, there are few precedents for decision-makers to draw on. New ways and alternatives to mobilize resources should be explored, based especially on a greater collaboration with their communities.

Innovation is crucial to upgrade and renew the criteria that guide investment in the urban space

The New Urban Agenda will not be achievable by a simple financial liberalization or extension of the type of finance that has replicated environmental destruction, urban sprawl and social exclusion

Cities with mature infrastructure and financial governance

In developed countries where the partnership between citizens, local governments and the private finance sector is mature, policies aim to anticipate structural changes by maintaining existing living standards while replacing ageing infrastructure and transitioning to less resource intensive development. Aligning the allocation of the deep pools of capital held by public and private funds with the best available information on current and future risks and opportunities represents an important first step.[72]

The challenges that cities in developed countries have to meet include the changing demographic profile of its citizens (e.g. the care economy for ageing populations), their increasingly threatened ecological assets (e.g. in the face of climate change, flood buffering policies and the management of coastal surges), and their obsolescent infrastructure. It is the responsibility of local governments to design financial policies that are able to anticipate these risks and prepare their societies to face them.

Financing resilient and inclusive territories requires proactive policies in a context of limited national and local public funding. On the other hand, private finance has further expanded their investment portfolios and has become a crucial actor in urban development.[73] The growing relationship between the financialization of the economy and the 'production' of the city has been a topic of extensive research internationally. This analysis shows the emergence of a myriad of investors (institutional or otherwise) that act as a consistent financial 'industry', relatively integrated and specialized in urban development. This industry revolves around capital accumulation for investment in real estate, credit, insurance and other kinds of financial intermediation.

Financialization is contributing to the concentration of economic capital in cities and other profitable areas. As discussed in detail in Chapter 1 on Metropolitan Areas, this is also increasing socio-spatial inequalities – not just between 'global' cities and the rest of the territories, but also between global cities themselves.

Against this backdrop, the intervention of public regulation will be crucial to promote the development of truly inclusive and sustainable cities. In many European countries, the prevalence of public actors (e.g. local public businesses or social housing organizations), together with the emergence of large urban utilities controlled by local authorities, has often limited the impact of spatial segregation, although only partially so. Stronger public action equipped with adequate powers is the only viable tool to resist the pressure of increased financialization and negotiate better conditions with private investors while keeping a focus on public interest.

On the other hand, as mentioned throughout the report, innovation is crucial to upgrade and renew the criteria that guide investment in the urban space. These have to take into account the principles of sustainability, promoting new forms of collaboration between local authorities and a citizenship that takes full advantage of technological innovation and endogenous development. The emergence of new financial tools – e.g., new investment criteria and bonds that reward a project's social impact, such as the Swiss Sustainable Finance initiative which disqualifies those projects that do not abide by the environmental, social and governance (ESG) funding criteria – shows that sustainable cities cannot depend on short-term profitability alone.

In some instances, the transition to new technologies requires parallel service delivery systems that require new forms of financing, linked to collaborative and social economy (e.g. finance cooperatives or crowd-funding). Example of those include the 'prosumer' energy cooperatives pioneered in German towns, where residents are both producers and consumers of renewable energy, and Denmark's 'right to invest' programme where energy companies have to allow a portion of local citizen investment in their operations. New models of public-private investment partnerships have an important role to play in transitioning to these modes of service delivery.[74] There remains an important role for financial regulators in ensuring that new finance partnerships remain accountable and that financiers and cities do not succumb to stranded or 'toxic assets'.[75]

The case for finance sector reform

Against the backdrop of the current phase of urbanization, the economic benefits of inclusive, compact and coordinated cities are a compelling case for change.[76] However, mobilizing the necessary USD 5-7 trillion per annum over the next 15 years, and allocating it effectively within cities, is contingent upon reforms to address the barriers to finance associated with the financing of public goods and 'unbankable' projects at the city scale.

Sufficient resources are available, but the appetite for the required reallocation of capital is, 'essentially a matter of public choice. (...) At stake is the potential to shape a

financial system fit for the 21st century with the purpose of serving the needs of sustainable development'.[77] The commitment to devolve a greater portion of national resources to sub-national levels needs to be supported by the creation of endogenous local finance sytems, together with an understanding that such allocations tend to support economic growth and inclusive development.[78]

The New Urban Agenda is not achievable through simple financial liberalization or extension of the type of finance that has replicated environmental destruction, urban sprawl and social exclusion as part of urban development. The supply of finance has to be tailored to local contexts and its success will hinge on a clear vision of the outcomes that need to be financed.

This ambition requires a new sense of the social, institutional, spatial and infrastructural components of cities that are being built. It also necessitates new partnerships to be forged between the agents of global capital and local actors familiar with the opportunities and risks within specific cities and who are skilled and equipped to manage complex multi-stakeholder contracting.

The traditional finance sector's limited ability to invest in urban infrastructure, low-carbon technologies and essential public goods has resulted in the kind of capital misallocation that has historically precipitated crises. At the heart of this issue lies an information problem, an uncertainty and unfamiliarity about many of the geographies, governance arrangements, technologies and economies that desperately need finance but who are not, at the moment, able to frame their demand for investment in the way that financiers require. **In this context of increasing financialization, the long-term success of the finance sector is contingent upon its ability to invest in sustainable, inclusive and healthy economies in territories and cities.** In this regard, international institutions, and particularly the Bretton Woods institutions, have an important role to play in pushing for reform that promotes adequate financing (both qualitative and quantitative) for sustainable cities.

Photo: Kate - Quito (Ecuador).

NOTES

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05.

THE AGENDA OF LOCAL AND REGIONAL GOVERNMENTS FOR HABITAT III AND BEYOND

THE AGENDA

The central message of GOLD IV is that local and regional governments must be empowered to take a leadership role in the implementation of global development agendas, in particular the New Urban Agenda.

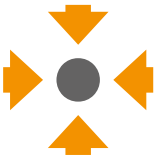
Local and regional governments are best placed to lead, since every community, settlement and territory must 'co-produce' a response that is context-specific in order to fulfil the agendas' ambitions. This response must address the challenges of poverty, rising inequality, insecurity, environment depletion and climate change.

Moreover, the recommendations of the New Urban Agenda need to apply to all types of human settlement, all spaces and territories in which people live, in order to truly build livelihoods and citizenship. The New Urban Agenda should reinforce the aims of the SDGs; the COP 21 commitments on climate change; the Sendai Framework for Disaster Risk Reduction; and the Addis Ababa Action Agenda (AAAA) on financing for development. It is imperative that it is grounded in the principles of the Universal Declaration of Human Rights (1948) and the UN International Covenants on Civil and Political Rights, and Social, Economic and Cultural Rights (1966). It should at the same time build on the UN International Guidelines on Decentralization and Access to Basic Services, and Urban and Territorial Planning.

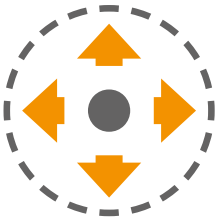
Effective decentralization, together with the progressive endowment of powers, resources and capacities to local and regional governments, is a precondition for unlocking the full potential of these key actors. Only then can the SDGs and the New Urban Agenda be achieved. There can be no 'transformed world' without first transforming the cities and settlements in which we live.

The following recommendations build on the research and consultations with local and regional governments that formed part of the report's preparation. They also draw upon the recommendations of the Global Taskforce of Local and Regional Governments in the Habitat III process. They encompass the reforms that must be immediately implemented to support countries, local and regional governments and other stakeholders in the New Urban Agenda to take action.

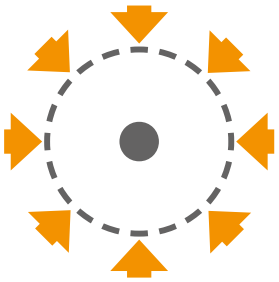
The first set of recommendations on **'local action'** addresses how sub-national governments can contribute to the achievement of the SDGs, the Paris Agreement, the Sendai Framework and the New Urban Agenda. The second set of recommendations on **'national action'** focuses on national legal, institutional and policy reform. The final set of recommendations on **'global action'** tackles three of the most potent enablers of national and local development: global governance, international financing and decentralized cooperation. All the recommendations seek to empower local and regional governments to take their rightful place at the head of a new international agenda for inclusive and sustainable development.



LOCAL ACTION



NATIONAL ACTION



GLOBAL ACTION

REALIZATION ON THE GROUND OF THE NEW URBAN AGENDA

1. Improve the strategic management capacity of local and regional governments.
2. Boost participation by fostering a buoyant and autonomous civil society to co-create cities and territories.
3. Harness integrated urban and territorial planning to shape the future of cities and territories.
4. Ensure access to quality and resilient infrastructures and basic services for all.
5. Foster local economic opportunities to create decent jobs and social cohesion.
6. Put the 'Right to the City' at the centre of urban and territorial governance.
7. Lead the transition towards low carbon, resilient cities and regions.
8. Promote local heritage, creativity and diversity through people-centred cultural policies.

A NEW MULTILEVEL GOVERNANCE SYSTEM

1. Renew institutional frameworks to promote shared governance and effective decentralization.
2. Build coherent and integrated national urban and regional policies in consultation with sub-national governments.
3. Rethink sub-national financing systems to reconcile financing with sustainability.
4. Involve local and regional governments in the follow-up of the SDGs, the Paris Agreement and the New Urban Agenda, supported by accurate territorialized data.

LOCAL AND REGIONAL GOVERNMENTS' RIGHTFUL PLACE AT THE GLOBAL TABLE

1. Include organized local and regional government networks in the governing structures of international development institutions.
2. Create new instruments to finance local sustainable infrastructure, services and housing.
3. Support decentralized and city-to-city cooperation, learning and knowledge-sharing to foster innovation.

LOCAL ACTION: REALIZATION ON THE GROUND OF THE NEW URBAN AGENDA

As a result of the growing links between global and local challenges, **local and regional governments now play a greater role in the regulation of the urban fabric and territories, and the protection of the commons**. As such, they often lack the resources to meet these new challenges, putting pressure on their ability to fulfil pre-existing responsibilities. To contribute to what in the SDGs is termed a 'transformed world', local and regional governments across all world regions must be proactive and commit to the following actions:

1.

IMPROVE THEIR STRATEGIC MANAGEMENT CAPACITY

Local and regional leaders must develop new capacities and modes of leadership to respond to and take advantage of new opportunities that are opening up for the achievement of the SDGs and the New Urban Agenda, for example:

- Implement shared governance to renew local democracy; develop new governance models sensitive to a range of factors, including gender, to foster equality and based on human rights; and protect human dignity and wellbeing.
- Make innovation a way of life by establishing partnerships for innovation, creating interactive spaces for planning and experimentation (e.g. city labs); use new ICT to promote e-governance, collaborative decision-making, quality and coverage of local data; and improve transparency and accountability.
- Develop a strategic management approach to deal with local finance and assets effectively, and utilize them as a lever for resource mobilization; strengthen capacities to negotiate with the private sector on behalf of urban public goods and frame their interventions within public interest rules; improve the management of risks and crises.
- Attract the best people to protect the common good by developing inspiring careers in public office; investing in training local public servants, and promoting their involvement in peer-to-peer learning and knowledge networks (e.g. learning platforms); respect the labour rights of public servants and public service providers.
- Draw up a code of conduct, with independent control mechanisms and bodies to fight corruption.
- Build solidarity between cities and territories and enhance inter-municipal cooperation; foster partnerships between and within cities and their hinterlands'; create economies of scale; and ensure food security and protect natural resources, thus strengthening rural-urban partnership.

2.

BOOST PARTICIPATION BY FOSTERING A BUOYANT AND AUTONOMOUS CIVIL SOCIETY TO CO-CREATE CITIES AND TERRITORIES

Participatory democracy, shared public services, cooperative housing, and collaborative and solidarity-based economies contribute to a new governance approach. Local and regional leaders should:

- Empower citizens to fully participate in local political, social, economic and cultural life, and thus create adequate conditions, mechanisms and means (spaces, funds, etc.) for effective participation (e.g. participatory planning and budgeting); promote citizen-based monitoring of public policies and public release of local data; and develop public spaces and fora for public interactions and innovation; support the autonomous organization of civil society and communities; and ensure broader transparency and accountability.
- Co-create societies starting from cities and territories, and facilitate effective local and regional partnerships with civil society, the business sector and academia to make progress towards the co-creation and co-management of the cities and territories.
- Involve all stakeholders in service provision for all; promote co-production; hold policy dialogues with key stakeholders (i.e. civil society, central governments, service

operators, trade unions); draw up local charters defining levels and standards of services, roles and responsibilities, rules of accountability as well as long-term and sustainable financing and management models.
- Implement social housing programmes and support citizen initiatives for alternative decent housing: civil society initiatives can contribute to the co-production of affordable housing (e.g. community land trusts, the social production of habitat, and housing cooperatives).
- Recognize informal settlements as a legitimate and historical means of urban production in developing countries and work with slum dwellers to integrate informal areas in the urban fabric.
- Encourage the 'civic economy' and invest in collaborative, social and care economies, improving decent work and livelihoods for all; involve citizens and local communities in activities such as voluntary action in services, shaping new economic models and sharing innovations; create new economic opportunities (e.g. shared mobility, accommodation, agriculture, collaborative financing and crowd-funding, cultural products, cooperatives).

3.

HARNESS INTEGRATED URBAN AND TERRITORIAL PLANNING TO SHAPE THE FUTURE OF CITIES AND TERRITORIES

Strategic planning is an essential component of management. It integrates spatial planning, land use, economic stability, infrastructures and other dimensions that are key responsibilities of local and regional governments. Local and regional governments should:

- Shape cities and territories according to the needs of their inhabitants; engage in long-term **strategic participatory planning**, working with all local stakeholders and social movements to create a shared vision of cities and territories for the next 10-20 years.
- Use flexible and dynamic planning to promote better quality of life, urban density, multi-functionality, socially-mixed neighbourhoods, connectivity and safe public spaces; invest further in rapidly growing cities; ensure infill and planned extensions; and prevent slum expansion, especially in risk-prone areas.
- Utilize land-use plans and regulations as a strategic tool to manage urban sprawl; reduce disaster risk; foster social inclusion; value local culture and heritage; reduce land and housing speculation and guarantee security of land tenure.
- Ensure updated land and real-estate registers and enable mobilization of land and property added-value capture by local authorities to finance local investments.
- Build integrated and polycentric metropolitan areas and undertake comprehensive planning that integrates the whole metropolitan functional area to ensure equal access to infrastructures, services, works and amenities for all.
- Develop closer cooperation between regions, cities and rural municipalities for planning to generate economies of agglomeration.
- Agglomeration, strengthen the role of intermediary and small cities; ensure interconnectivity and developmental sinergies; and relieve urbanization pressures on natural resources.

4.

ENSURE ACCESS TO QUALITY AND RESILIENT INFRASTRUCTURES AND BASIC SERVICES FOR ALL

Access to basic services is a human right that should be guaranteed for all. Local and regional governments should expand services and, at the same time, reduce the environmental impact of urban infrastructures. To 'square the circle', they must be given powers to experiment with innovative approaches:

- Design infrastructure plans alongside land-use plans, including long-term investment strategies; coordinate between metropolitan and neighbouring local governments to ensure that basic service infrastructure accompanies and guides urban growth.
- Improve the management and delivery of public services; devise transparent management models adapted to local contexts and prevent public service 'deserts' in rural areas; facilitate innovative partnerships for co-production and co-management of services with socially responsible businesses and local communities (e.g. through public-private partnerships, PPPs), and public-private-people partnerships, PPPPs).
- Promote the affordability and financial sustainability of public services; develop

mechanisms to guarantee minimum access levels, and make basic services affordable to all (e.g. through social tariffs, cross-subsidies and safety nets); ensure adequate cross-subsidies to balance service budgets between structurally profitable and unprofitable services (e.g. electricity versus waste management).
- Explore new models of service co-production and support small-scale and informal basic service delivery for the most vulnerable; investigate technological options (small, independent systems, off-grids for renewable energy and street lighting adapted to local contexts); small-scale and informal basic service delivery, particularly in informal settlements, can also be an option if local governments contribute to guarantee quality and underpin coordination with official operators to limit gaps in provision and protect public health.

5.

FOSTER LOCAL ECONOMIC OPPORTUNITIES TO CREATE DECENT JOBS AND SOCIAL COHESION

Local and regional governments should have the necessary policy powers and resources to control economic development levers and take advantage of an ongoing transformation of the global economy to boost endogenous economic development:

- Harness local human capacities and assets by supporting local investment and entrepreneurship.
- Support a broad range of local economic initiatives to adapt local economies to global challenges and improve their resilience; facilitate access to new technologies (e.g. clusters with Small, Medium and Micro-Sized Enterprises - SMMEs, innovation and knowledge economy, cultural economic activities).
- Implement local-level public procurement systems that include social and environmental responsibility criteria; create opportunities for local enterprises, particularly SMMEs, to contribute to local economic development and job creation.
- Promote labour-intensive growth strategies with the participation of business and local communities to create more jobs and livelihood opportunities; and offer training to harness local human resources and foster higher productivity.
- Promote circular economies to encourage reuse and recycling; and short economic circuits to foster economic development in surrounding areas.
- Promote the 'civic economy' and acknowledge and integrate the informal economy (e.g. recognize informal workers, simplify registration procedures, provide incentives for payment of taxes, facilitate access to regulated public space, services and infrastructures, create spaces for social dialogue, improve the labour rights of informal workers).

6.

PUT THE 'RIGHT TO THE CITY' AT THE CENTRE OF URBAN AND TERRITORIAL GOVERNANCE

Growing inequalities create new forms of poverty and exclusion. Local and regional governments face the daily responsibility of tackling socio-spatial exclusion and promoting social justice, integrating migrants, preventing discrimination and urban violence, and protecting social rights to ensure prosperity and wellbeing:

- Reduce poverty and inequalities at the local level by identifying deprivation, and targeting policies efficiently (e.g. social assistance, youth programmes, elderly care, disability programmes, food security), taking into account each group's specificities and improving reach-out policies.
- Support housing policies and ensure the full and progressive realization of the right to adequate housing for all by developing inclusive and supportive housing policies for people on low incomes (e.g. through public supply of affordable land and public financing for social housing).
- Work with communities to upgrade slums; regenerate poor neighbourhoods; recognize and support the social production of habitat; ensure secure tenure for the most vulnerable; and prevent forced evictions.
- Complement social targeted policies with the recognition of the indivisibility and universality ofhuman rights as expressed in the **Global Charter-Agenda for Human Rights in the City**.
- Facilitate access to newcomers (e.g. migrants and refugees) to rights and services; strengthen integration and inclusion policies and strategies (e.g. in employment, education, health, housing, and culture).

7.

LEAD THE TRANSITION TOWARDS LOW CARBON, RESILIENT CITIES AND REGIONS

Greener cities and territories are the key to a sustainable future. Local and regional governments must move towards sustainable production and consumption patterns and act to mitigate and adapt to climate change:

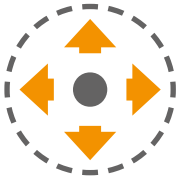
- Be vectors of awareness, change and knowledge for citizens, creating an educated and responsible public that respects its environment and grows to demand a healthy, sustainable, resilient and clean city and territory.
- Reduce the ecological footprint of cities, particularly of urban infrastructure and public services (e.g. transport, public lighting, buildings, water, sanitation, waste, heating and green spaces).
- Increase the use of renewable energies, climate change mitigation and adaptation initiatives; and ensure the responsible management of natural resources, taking into account its effects on the urban ecological impact and rural environment.
- Integrate environmental and natural risk prevention into planning processes, following the principles of the Sendai Framework for Disaster Risk Reduction.
- Invest in the renewal of obsolete infrastructure and the expansion of public services, according to the principles of the Paris Agreement, the SDGs and the Sendai Framework, promoting territorial cooperation, the integration of smarter technology, and resource-efficient implementation.
- Encourage urban agriculture and nature-based solutions and projects stemming from civil society, especially through subsidies and by creating truly enabling conditions.
- Adapt transport systems and promote public multimodal transport and low-carbon mobility.

8.

PROMOTE LOCAL HERITAGE, CREATIVITY AND DIVERSITY THROUGH PEOPLE-CENTRED CULTURAL POLICIES

Culture is a vital element of citizenship, integration and co-existence. It should be seen as the fourth pillar of sustainable development. All citizens have the right to culture. Cities and territories should promote active cultural policies, in particular:

- Draw up and implement cultural policies and activities that ensure the right of all citizens to access and take part in cultural life, and guarantee good governance of cultural policies.
- Build on the cultural and heritage potential of cities and territories to promote a sense of place, identity and belonging; and integrate culture and heritage in urban planning.
- Recognize cultural diversity as a prerequisite for innovation, co-responsibility and peaceful resolution of conflicts.
- Acknowledge and promote creativity as an aspect of human experience and a source of progress.
- Integrate heritage and culture in urban planning, for example through the application of appropriate cultural impact assessment methods.
- Integrate the cultural economy into local economic development strategies.
- Promote exchange and learning through cultural activities and spaces to support new urban activities that are consistent with sustainable production and consumption.
- Reconnect culture and education to support the acquisition of cultural skills and knowledge; and develop digital tools for cultural transmission, innovation and bridging cultures.
- Adopt and promote the **Agenda 21 for Culture**.



NATIONAL ACTION: A NEW MULTILEVEL GOVERNANCE SYSTEM

- Local leadership will only flourish if there is a national enabling environment for local and regional governments adequate legal frameworks and resources, as well as a transformation of top-down approaches.

Moreover, it can only succeed if the uneven decentralization found in many countries and regions is urgently addressed. National governments should:

1.

RENEW INSTITUTIONAL FRAMEWORKS TO PROMOTE SHARED GOVERNANCE AND EFFECTIVE DECENTRALIZATION

- Create an effective system of multilevel governance (MLG), according to the principle of subsidiarity; recognize the interdependence of different spheres of government; and build solidarity by linking levels and responsibilities. Subsidiarity must be supported by a clear definition of local jurisdictions and responsibilities.
- Ensure an enabling environment for local and regional governments – with adequate political, administrative and fiscal decentralization – where local and regional governments can experiment, innovate, and capitalize on their resources and the potential afforded by their locations and populations.
- Reaffirm and apply the International Guidelines on Decentralization and Access to Basic Services for All, adopted by the UN Habitat Governing Council in 2007 and 2009, as the pillars of a MLG framework.

2.

BUILD COHERENT AND INTEGRATED NATIONAL URBAN AND REGIONAL POLICIES IN CONSULTATION WITH SUB-NATIONAL GOVERNMENTS

- Move urban and territorial policies up the national agenda to harmonize the dynamics of urbanization with overall processes of national development.
- Facilitate regular coordination between central government ministries and agencies, representatives of local and regional governments, civil society and the private sector, as part of the MLG approach, to harmonize national, urban and territorial development policies; integrate from the beginning local and regional governments in the design of public policies.
- Foster a leading role for regional and local governments in defining regional development policies, particularly supporting regions and cities with limited capacities.
- Ensure coordination between strategic infrastructure and regional plans; and improve the design and co-financing of strategic infrastructures to make national and regional development strategies more coherent and supportive of local initiatives.

3.

RETHINK SUB-NATIONAL FINANCING SYSTEMS TO RECONCILE FINANCING WITH SUSTAINABILITY

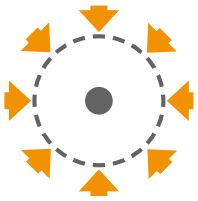
- Ensure appropriate fiscal decentralization and equitable sharing of national resources to reach, in the next decade, a minimum percentage going to local governments (e.g. 20% of the total public budget) so they can meet their devolved responsibilities.
- Give local and regional governments adequate fiscal powers and capacities to mobilize part of the wealth created in their territory through diversified tax resources, non-tax revenues, including land-based finance, and user charges.
- Provide appropriate instruments for local governments to be able to capture part of the land and property added-value and generate finance for infrastructures in growing urban areas; control the 'eviction' effects of growing real-estate prices and taxes on the poorest communities, in order to avoid segregation processes.
- Ensure appropriate, regular and predictable transfers to complement local budgets, including equalization mechanisms to support lagging regions, and an adequate redistribution of resources across the whole territory.
- Collaborate with local and regional governments to redefine financing strategies; and regulate the role of private finances to support sustainable cities, channelling long-term investments to enhance basic infrastructures and public goods through incentives and specific development funds for sustainable regional/urban development.
- Improve local and regional governments' access to responsible borrowing through municipal development banks or funds; and to private finance through appropriate mechanisms such as bonds and PPPs.
- Enact policies and establish legal frameworks to attract national and

international investments, both sustainable and inclusive, in local development and infrastructures. In less developed countries, donors' support should focus on supporting cities and regions with weak financing profiles through grants to increase their capacities and allow them to access borrowing in the future.
- Facilitate local and regional governments' access to climate financing and ODA to enhance their investment capacity, through a range of adapted financial tools such as direct loans or guarantee mechanisms combined with capacity building at the local level.
- Establish national participatory mechanisms to oversee proportionate allocations to regional and local governments; gather consolidated public sub-national finance data.

4.

INVOLVE LOCAL AND REGIONAL GOVERNMENTS AND THEIR ASSOCIATIONS IN THE FOLLOW-UP OF THE SDGS AND THE NEW URBAN AGENDA, SUPPORTED BY ACCURATE TERRITORIALIZED DATA, LEARNING TOOLS AND OPPORTUNITIES

- Create national mechanisms for participatory followup of the SDGs, the Paris Climate Agreement, the New Urban Agenda, the Sendai Framework, and the AAAA. These mechanisms should involve all levels of government, civil society, the private sector and academia.
- Strengthen the role of sub-national governments and local stakeholders in generating data for urban and territorial governance; national governments should support sub-national levels and local stakeholders in the generation of localized data, linking them to the operationalization of indicators, joint planning, and implementation and evalution across all spheres of government and territories.
- Strengthen the role of Local and Regional Government Associations to support, monitor and promote the implementation of the SDGs through their constituency.
- Evaluate and share experiences, and promote practical tools for implementation.



GLOBAL ACTION: LOCAL AND REGIONAL GOVERNMENTS' RIGHTFUL PLACE AT THE GLOBAL TABLE

For global policies and agreements to properly harness local experience and commitment, the place of local and regional governments in international policy-making needs to change. They must be part of a structured consultation as a recognized and organized global constituency rather than subject to ad hoc consultation processes. The efforts of local and regional governments to organize and produce informed inputs must be acknowledged as part of the decision-making process by taking the following steps:

1.

INCLUDE ORGANIZED LOCAL AND REGIONAL GOVERNMENT NETWORKS IN THE GOVERNING STRUCTURES OF INTERNATIONAL DEVELOPMENT INSTITUTIONS

For decades, the international movement of local and regional governments has steadily contributed to shape international development agendas by participating in debates, showcasing practices and implementing policies to achieve internationally agreed goals. The complexity of the challenges we face, in which local and global are now intrinsically linked, requires a step forward in the way local and regional governments are considered in international policy-making:

- Local and regional governments should be acknowledged with specific status in the UN.
- The **World Assembly of Local and Regional Governments** – facilitated by the Global Taskforce of Local and Regional Governments – should be the liaison point for this constituency. This implies a far more interconnected system of organizations speaking with one voice to achieve more coherent policy-making.

- Enhance political dialogue: there should be a **system-wide consultation mechanism for local and regional governments** in development institutions, in particular the United Nations, to enhance political dialogue.
- Local and regional governments should have **a concrete role in the follow-up and review of global development policies**, and the New Urban Agenda, the High-Level Political Forum, the Paris Agreement, AAAA, the Sendai Framework, and the Global Partnership for Effective Development Cooperation, in particular.

2.

CREATE NEW INSTRUMENTS TO FINANCE LOCAL SUSTAINABLE INFRASTRUCTURE AND SERVICES

The current model of financing does not respond to the needs of most existing and emerging cities and territories. Budgetary constraints and failures in financial markets are inhibiting major investments in the renewal and/or expansion of basic infrastructures. At the same time there is excess finance in the international system. These problems will not be resolved by current policy discussions, even if progress is being made in facilitating flows from the Green Fund to sub-national governments. To face these structural challenges, a global partnership for urban housing, local basic services, and infrastructures financing could mobilize representatives from national and international financing institutions, regional development banks, institutional investors, donors, and sub-national leaders. This could enhance new financial mechanisms as defined in the AAAA for the localization of means of implementation set out in the SDGs, the New Urban Agenda, the Paris Agreement and the Sendai Framework. As part of this initiative, the following actions could be explored:

- **Convene a high-level panel of international experts** and local elected leaders. This would agree strategies with financing institutions to translate criteria in international agreements into bankable proposals for new and existing financial actors. It would reconcile financing with sustainability, and leverage urban and local development (e.g. lending to local and regional governments through sub-sovereign loans, guarantee mechanisms to channel global savings towards local level in developing countries).
- Set up **a global fund for infrastructures, basic services and housing** to mobilize resources for leverage (e.g. de-risk, financial guarantee, PPP), and facilitate access to financing from banks and markets, particularly in low-income countries.
- **Improve access to sub-national authorities to climate finance**. A sub-national window should be included in the Global Climate Fund and other green financing mechanisms and selection criteria redesigned with sub-national authorities to enable cities and regions to receive adaptation and mitigation financing directly or through domestic local financing institutions.
- Support the **Global Observatory on Local Finance** to review the effectiveness of fiscal decentralization processes; assess national and local government capacity to finance and implement development at the local level; and encourage the production of reliable public data on sub-national finances.

3.

SUPPORT DECENTRALIZED AND CITY-TO-CITY COOPERATION, LEARNING AND KNOWLEDGE-SHARING TO FOSTER INNOVATION

Local and regional governments should build on their legacy of decentralized cooperation and international solidarity to share expertise on how to address global challenges (e.g. climate change, risk prevention, peace-building, development cooperation) and to manage the impact of global phenomena at the local level (e.g. the integration of migrants, the mediation of globalizing economic pressures, and the promotion of cultural cooperation). In this regard:

- **Decentralized cooperation, municipal international cooperation, and solidarity and learning networks should have an enhanced role** in programmes set up to implement the SDGs and the New Urban Agenda. This should include recognition of local and regional governments in dealing with humanitarian crises and promoting post-crisis reconstruction.
- **Attract development partners and academic institutions** to support decentralized cooperation in order to better monitor and promote the scale and commitment of ongoing cooperation between cities and local governments.

- A system of decentralized cooperation programmes should be developed to facilitate the **exchange of experiences on how to achieve the SDGs, the New Urban Agenda, the Paris Agreement and the Sendai Framework**.
- Global, regional and national funding should be released to strengthen local and regional government learning networks and create a global knowledge management platform to facilitate local indicators and reporting.

METHODOLOGICAL ANNEX

Throughout the process that has led to the publication of GOLD IV, a geo-spatial database was created and constantly updated. This was to achieve two main goals: first, to refine the classification advanced by the United Nations Department of Economic and Social Affairs (UN-DESA, 2015) on urban population residing in metropolitan areas, intermediary cities and small towns; and, second, to integrate this information with cartography, in particular of i-cities within different urban and regional urban systems.

This Methodological Annex presents the extraction, analysis and construction processes of the geo-spatial database developed for GOLD IV.

Furthermore, it enumerates the seven world regions – and the states that form them – defined by UCLG and used to organize the geo-spatial database of GOLD IV.

WORKING PROCESS: SOURCE ANALYSIS AND DATA EXTRACTION, TRANSFORMATION AND LOADING

The main objective of the GOLD IV geo-spatial database was to develop the catalogue and cartography for all cities with a population of 50,000 or more – i.e. the threshold used by the report to distinguish between i-cities and small towns.

To this end, five main sources were used: the Population Division of UN-DESA;[1] the Lincoln Institute;[2] the UNESCO Chair for Intermediary Cities (UNESCO-CIMES) at the University of Lleida (Spain); the web portal City Population;[3] and the web portal Demographia.[4]

The information available on the databases of both the Lincoln Institute and UNESCO-CIMES, specifically, was not up-to-date.

Consequently, the World Urbanization Prospects (WUP) was used as the main source of information for cities above 300,000 inhabitants; and the information available on Demographia was the main source for cities between 300,000 and 50,000 inhabitants.

These two databases were then compared with national censuses available for the year 2015. In many cases, individual urban population projections were used for each city. The quality of available data, however, is quite variable.

Many African countries only had available census information between 2005 and 2009. The City Population web portal, for instance, questions the reliability of Nigeria's 2006 census, due to structural mistakes, and refers to the 1991 census.

The latest official census in Somalia dates back to 1975. Moreover, databases do not normally operationalize the effects of wars and conflict effectively – e.g. in Syria, Iraq, or Congo, among others.

The city of Aleppo (Syria), for instance, had two million inhabitants according to the 2004 census: unofficial sources referred, in 2016, to a besieged population of just 300,000, although this information cannot easily be verified.

Collected data for 2015 was then organized by city size. The category of 'Metropolises' (one million inhabitants or more) is organized in four sub-groups: above 20 million; 10-20 million; 5-10 million; and 1-5 million inhabitants.

The 'Intermediary Cities' category was divided into four sub-groups: 500,000-one million; 300,000-500,000; 100,000-300,000; and 50,000-100,000 inhabitants. The difference between the total urban population recorded by the WUP and the sub-totals of all the above-mentioned sub-groups corresponds to the population of urban centres with 50,000 inhabitants or fewer.

Even though census information was available for small towns down to 20,000 inhabitants, both the magnitude of the task and the project's time constraints have not permitted a quantitatively detailed analysis for this category.

The cartography for the report was based on the updated databases. It allowed for the visual representation of each and every one of the 10,000 cities of the geo-spatial database of City Population, with tailored queries for updated satellite imagery accessible through Google Earth Pro and ArcGIS Earth.

METHODOLOGICAL NOTES

METROPOLISES

According to the WUP, in 2015 there were 29 megacities with more than 10 million inhabitants. According to Demographia and City Population sources, however, this number rose to 34. This gap was due to a difference in the definition of metropolitan areas. Tokyo (Japan), for example, with 38 million inhabitants, is still the largest urban agglomeration on the planet according to UN-DESA and Demographia.

In the City Population database, on the other hand, Guangzhou (China) is already the largest, with 47.7 million inhabitants, considering that its metropolitan area also includes the cities of Dongguan, Foshan, Jiangmen, Shenzhen and Zhongshan. Using these criteria, Hong Kong could be added to this agglomeration. The resulting urban mega-region would easily exceed 50 million inhabitants.

Similarly, according to Demographia, Seoul-Incheon (South Korea) is the world's fifth largest metropolitan area with 23 million inhabitants. City Population meanwhile ranks it sixth largest with 24.4 million inhabitants, since the area also includes Bucheon, Goyang, Incheon, Seongam and Suweon. However, UN-DESA limits Seoul's population to 9.7 million inhabitants in 2015, since it considers it separately from the other municipalities.

Manila (the Philippines) is ranked the fourth largest metropolitan area by Demographia, with a population of 24 million. It drops to eighth largest in the City Population database, with over 23 million inhabitants, including Kalookan and Quezon City in its metropolitan area. According to the WUP, Manila has 12 million inhabitants.

Finally, Jakarta (Indonesia) reaches a total population of 30 million people, if considered together with neighbouring Bekasi, Bogor, Depok and Tangerang Selata. According to UN-DESA, however, it barely reaches 10 million inhabitants.

Given all of the above, for reasons of consistency, the GOLD IV report follows rigorously the data and figures of UN-DESA.

INTERMEDIARY CITIES

Consistent with the adopted definitional threshold – fewer than one million inhabitants – the category of 'Intermediary Cities' used in the report includes a significant number of African and Asian cities. These have a population of approximately 900,000 that, in all likelihood, will exceed one million inhabitants in the next few years (if given all of the above not already). A similar phenomenon is occurring in urban settlements that, while not statistically included in this group, have a population of almost 50,000 and will soon exceed this. These changes will be taken into account in future revisions and updates of the GOLD database.

SMALL TOWNS

As regards the quantification of the world's population living in small towns, the task was severely hindered by the quality and obsolescence of census data in many African, Asian and Latin American cities of 20,000 inhabitants or fewer.[5]

Finally, the geo-spatial database which the GOLD IV analysis builds on has been essential to a visual representation – drawn for the first time – of the world's approximately 9,500 cities with 50,000 inhabitants or more. This map is useful also to show the relative weight of i-cities when compared with metropolitan areas and megacities. Even taking into account a certain margin of calculation error in the construction of the database, the data and their visualization accurately reproduce the census information that is available worldwide. The GOLD database will be updated periodically, and its range of indicators will progressively increase.

UCLG REGIONS

The UCLG network is a decentralized structure composed of seven regional sections, a metropolitan section and a regional government section. The following is a list of the countries that form each of the UCLG Regions. Many of the graphics and illustrations of the report refer to these.

AFRICA REGION

East Africa: Burundi, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Rwanda, Somalia, South Sudan, Sudan, Uganda, Tanzania. **Small Island States**: Comoros, Mauritius, Mayotte, Reunion, Seychelles. **Central Africa**: Cameroon, Central African Republic, Chad, Congo, DR Congo, Equatorial Guinea, Gabon, São Tomé and Principe. **North Africa**: Algeria, Egypt, Libya, Mauritania, Morocco, Tunisia. **Southern Africa**: Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, South Africa, Swaziland, Zambia, Zimbabwe. **West Africa**: Benin, Burkina Faso, Cabo Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo.

ASIA-PACIFIC REGION

East and Northern Asia: PR of China, DP Republic of Korea, Japan, [Mongolia],[6] Republic of Korea. **South Asia**: Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka. **South-Eastern Asia**: Brunei Darussalam, Cambodia, Indonesia, Lao People's DR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Timor-Leste, Viet Nam. **Pacific**: Australia, New Zealand. *Small Island States:* Melanesia, Micronesia, and Polynesia.

EURASIA REGION

Central Asia: Kazakhstan, Kyrgyzstan, Mongolia, Tajikistan, Turkmenistan, Uzbekistan. **Caucasus**: Armenia, Azerbaijan, Georgia. **Eastern Europe**: Belarus, Russian Federation, Ukraine.

EUROPE REGION

Albania, Andorra, Austria, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, FYR of Macedonia, Germany, Greece, Hungary, Iceland, Ireland, [Israel],[7] Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Moldova (Republic of), Monaco, Montenegro, Netherlands, Norway, Poland, Portugal, Romania, San Marino, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom.

LATIN AMERICA AND THE CARIBBEAN REGION

Caribbean: Cuba, Dominican Republic, [Haiti, Jamaica, Puerto Rico, Trinidad and Tobago].[8] **Central America and Mexico**: Belize, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama. **South America**: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay, Venezuela.

MIDDLE EAST AND WEST ASIA (MEWA) REGION

Southern Asia: Afghanistan, Iran. **Middle East and The Gulf**: Bahrain, Iraq, Jordan, Kuwait, Lebanon, Palestinian N.A., Oman, Qatar, Saudi Arabia, Syrian Arab Republic, Turkey, United Arab Emirates, Yemen.

NORTHERN AMERICA REGION

(including some Caribbean countries)
Northern America: Canada, United States of America. **Caribbean**: Antigua and Barbuda, Bahamas, Barbados, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Trinidad and Tobago.

NOTES

1. UN-DESA, *World Urbanization Prospects: The 2014 Revision'* (New York: United Nations, Department of Economic and Social Affairs - UN-DESA, 2015), https://esa.un.org/unpd/wup/Publications/Files/WUP2014-Report.pdf.

2. The Lincoln Institute's *Atlas of Urban Expansion* is available online at this address: http://datatoolkits.lincolninst.edu/subcenters/atlas-urban-expansion/Default.aspx. Chapter 5 on, *Google Earth Data for the Universe of 3,646 Cities* was a main source in the construction of the database. This chapter is available at http://datatoolkits.lincolninst.edu/subcenters/atlas-urban-expansion/google-earth-data.aspx.

3. City Population, section on *Population Statistics for Countries*. The web page is available online at this address: http://www.citypopulation.de/.

4. Demographia, *World Urban Areas* 2015, available online at this address: http://www.demographia.com/.

5. David Satterthwaite, *Outside the Large Cities: The Demographic Importance of Small Urban Centres and Large Villages in Africa, Asia and Latin America*, Human Settlements Working Paper (London: IIED, 2006).

6. For statistical reasons, Mongolia has been included in the Asia-Pacific region, even though it is a member of the UCLG Eurasian region.

7. For political reasons, Israel is a member of the Council of European Municipalities and Regions (CEMR), the European section of UCLG, and not of the MEWA region. However, data for Israel have not been included in the analyses focusing on Europe.

8. For statistical reasons, Haiti, Jamaica, Puerto Rico and Trinidad and Tobago have been included in the Latin America and the Caribbean region, even though they are members of UCLG Noram, the Northern American region of UCLG.

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