

International Housing Coalition

IHC

Housing for All

Proposal for a New USAID Approach to Programming for the Urban Poor

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Preface

This proposal suggests how USAID could address the challenges and opportunities resulting from urbanization in the developing world. More specifically it suggests how USAID could use current authorities and appropriations to develop strategic, multi-sector approaches that would improve conditions in slums and take advantage of the opportunities to alleviate urban poverty and promote economic growth. These approaches could also improve the effectiveness and efficiency of USAID assistance and enable USAID to play a leadership role in focusing more attention and resources on this critical development issue. The proposal is based on a review of secondary source materials and interviews with USAID officials and urban experts.

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The IHC is a non-profit advocacy organization located in Washington D.C. that supports “Housing for All” and seeks to raise the priority of housing on the international development agenda. The conditions of slums and poor housing of slum dwellers are of particular concern. The IHC supports the basic principles of private property rights, secure tenure, effective title systems and efficient and equitable housing finance systems—all essential elements to economic growth, civic stability and democratic values. To learn more about the IHC visit its web site at www.Intlhc.org

- Bob Dubinsky, CEO, International Housing Coalition

Executive Summary

The continued demographic transformation of the world from rural to urban is a defining reality of the 21st century and one of the major forces shaping the future of developing countries. Urbanization is often viewed in terms of its negative consequences, such as the growth of slums. If managed prudently, however, it can have many positive effects on the economic, social and democratic development of the world's poorer countries. The concentration of economic activity in urban areas can create efficiencies and new opportunities critical to economic growth and the alleviation of poverty. Productivity and well-being are improved through the increased access to health and education available in urban areas. Transportation efficiencies can help mitigate changes to the global climate. Improved urban-rural linkages can increase food security. Adequate and affordable housing coupled with the delivery of other essential public services improves security, health and economic outcomes. Finally, urban areas offer greater opportunity for the increased citizen participation essential for democratic development.

Given the importance and urgency of urbanization, USAID, as a global leader in addressing economic, social and democratic development, has an opportunity to adapt to the changing realities of the time and re-establish itself as a leader in urban programming and slum upgrading. Despite the current uncertainty surrounding the future of U.S. Foreign Assistance legislation, USAID need not wait to revise its approach to urban programming.

This paper provides some constructive ideas for USAID to quickly initiate and implement a proactive new approach to urban development that could be funded almost entirely by existing mechanisms and authorities. By marshaling resources from existing programs and funding streams, including water and sanitation, health (including HIV/AIDS), transportation, food security, climate change and programs that support improved housing, into programs designed to address a comprehensive set of urban challenges, USAID could establish itself as an innovator in integrated urban development programming while increasing the overall effectiveness of its current assistance activities.

The benefits to USAID of such a new, integrated approach to urban programming are threefold. First, it would enhance the effectiveness of existing efforts by creating synergies among the many sector-specific activities already taking place in urban areas and bolster the Agency's commitment to address some of the priorities of the new Administration, including the Global Climate Change and Global Health Initiatives, as well as other important cross-cutting issues such as youth programming, local economic development, education and micro-enterprise development. This would lend more cohesion to USAID's programming and address Congressional concerns regarding the effectiveness of U.S. Foreign Assistance programs.

Second, given the high population density in urban areas, such an approach would provide USAID assistance to large numbers of people for relatively few resources per capita. Pilot programs would help test various approaches to comprehensive urban programming, measuring such factors as cost effectiveness and scalability.

Finally, with more than one billion people, one sixth of humanity, currently living in squalid urban slums where daily existence is often a struggle, a new urban approach would demonstrate USAID's commitment to address one of the major developmental issues of the millennium. It would draw much needed attention to the challenges of this large segment of society, provide new opportunities for Global Development Alliances or partnership arrangements with other donors and foundations, and

potentially lead to a more influential role for USAID within the international donor community active in addressing urbanization issues.

Key Elements for Improved Programming for the Urban Poor:

USAID should:

- Create an *Urban Strategic Framework* to guide future urban programming. This Strategic Framework should highlight the key urban issues that are within USAID’s manageable interest and propose an Action Agenda for a period of three to five years.
- Integrate an “*urban optic*” into the planning processes for the traditional “sector” strategies in health, environment, education, democracy, governance and even disaster preparedness, and incorporate an urban dimension into the new priority Agency programs and initiatives, such as the new Global Health Initiative, the Global Climate Change Initiative, Water and Sanitation for the Poor and the Food Security Initiative.
- Create a new initiative, *Improved Programming for the Urban Poor*, which would provide assistance to Missions to:
 1. Increase their recognition of and appreciation for the issues facing the urban poor,
 2. Consider undertaking an integrated approach to addressing urban issues as part of their country strategy,
 3. Identify cross-cutting, multi-sector solutions to the challenges faced by the urban poor and integrate urban poor programming into sectoral programs, and
 4. Assure that urban poor programming is an important component of their implementation of new Administration priorities.

Resources for the initiative would come from existing USAID program resources, such as health, education, water and sanitation, food security, etc., supplemented by funding from DCHA for improved governance and for vulnerable groups such as women and youth, and limited EGAT core funding.

- Design and implement *pilot programs* to test key concepts and approaches to urban development. These programs would implement a multi-dimensional, integrated approach to address the challenges faced by low-income urban communities with funding shared by EGAT, Global Health, DCHA and participating Missions.
- Establish a \$10-12 million *Incentive Fund* in EGAT to be used to match funding from Missions for eligible activities targeted to improve the quality of life of the urban poor.
- Increase headquarters and field professional staff levels to implement the new approach (e.g. eight to ten USDH urban specialists and as many as five PSCs.)

I. Background

Urbanization Trends

In 2008, an historic milestone was reached: for the first time in history, more than half the world's 6.5 billion people now lives in urban areas. Moreover, virtually all population growth in the world over the next 50 years will be in urban areas and many rural areas will see an actual decline in population. The inexorable growth of urban areas will be most pronounced in Sub-Saharan Africa and Asia.¹ Most of these new urbanites in developing countries will unfortunately be poor. Projections indicate that by 2035, urban areas will be home to the majority of the world's poor.

The inability of many countries and cities in the developing world to provide adequate shelter and urban services for their growing populations as well as sufficient opportunities for economic advancement has resulted in burgeoning slum areas in both inner cities as well as in the urban periphery. More than one billion people, one sixth of humanity, now live in slums, most in the developing world, and this number is expected to double by 2030. Already more than 70 percent of urban residents of Sub-Saharan Africa and more than 40 percent of those in Asia live in slums. One billion people in urban areas do not have adequate access to clean water and two billion live without adequate sanitation.

Benefits of Urbanization

Urbanization is a wealth-creating process and generally acknowledged to be fundamental to economic growth – indeed no country has achieved higher income status without greater urbanization. Urbanization can also generate considerable benefits across a wide spectrum of development indicators.

- **Poverty Reduction.** A 2006 UNFPA study of 25 developing countries revealed that since 1990, the mere transfer of population from rural areas to urban areas accounted for ten percent of national poverty reduction, on average.²
- **Improved Governance.** Urbanization, if managed prudently, can help to strengthen democratic governance and increase transparency by encouraging greater public participation in governmental decision-making. The higher population densities of urbanized areas improve communication and facilitate the formation of neighborhood organizations which can participate more actively in decisions affecting their livelihoods.
- **Population Growth.** Urbanization accelerates the decline of fertility by facilitating the exercise of reproductive health rights. In most world regions, women in cities have one less child than do those living in rural areas. A 2008 study in Ghana showed, for example, that urban women exhibit fertility rates that are, on average, 11 percent lower than those of rural women.³
- **Economic Opportunity.** The sheer volume, variety and accessibility of economic activity provided by urban areas offer greatly increased employment opportunities for urban dwellers, including the poor.

¹ Asia's urban population is expected to almost double from 2000-2030, from 1.36 billion to 2.64 billion and Sub-Saharan Africa's to more than double from 294 million to 742 million over the same period. Urban growth will be slower in already highly urbanized Latin America, increasing from 394 million to 609 million.

² UNFPA, *State of World Population 2007, Unleashing the Potential of Urban Growth*, p. 36.

³ Michael J. White, Salut Muhidin, Catherine Andrzejewski, Eva Tagoe, Rodney Knight and Holly Reed, "Urbanization and Fertility: An Event-History of Coastal Ghana," in *Demography*, Vol. 45, No. 4, November 2008, pp. 803-816.

- Access to Health Care. Urban areas generally offer residents access to better health care than do rural areas. Facilities are generally closer, health information is transmitted more rapidly and the availability of specialized care is much greater.
- Access to Education. Urban areas offer vastly superior choices of educational opportunities for both children and adults than do rural areas, especially for women and girls.
- Gender Equality. The social and physical amenities offered by urban areas facilitate women's efforts to achieve equality. Cities tend to favor cultural diversity and more flexibility in the application of social norms that traditionally limit women's freedom of choice. Cities provide opportunities not only for women's education and employment, but also for social interaction, political and community participation, and access to information, media and technology.
- Effects on the Environment. While much is said of the environmental degradation and damage to ecosystems caused by cities, demographic concentration actually can enhance environmental sustainability. The UNFPA notes: "Urbanization helps to hold back environmental degradation by offering an outlet for rural population growth that would otherwise encroach on natural habitats and areas of biodiversity. Cities are worse polluters than rural areas simply because they generate most of a country's economic growth and concentrate its most affluent consumers."⁴ Global urban expansion takes less land than that lost every year to agriculture, forestry and livestock grazing or to erosion and salinization.⁵ Increased urbanization can also help to preserve natural areas in the countryside that can function as carbon sinks and help to sustain biodiversity.
- Global Climate Change. While cities undeniably generate significant amounts of greenhouse gasses, the World Bank cites several studies that have found that high population density is negatively correlated with carbon emissions due to less energy needed for transport (greater use of public transport and shorter commuting distances), less land for housing and less energy for heating.⁶ Urbanization can translate into less energy consumption per capita than in rural areas.

Challenges of Urbanization

Despite the positive aspects of urbanization, the great majority of the urban poor living in slums continues to face many serious challenges in the struggle to improve their quality of life. The litany of these challenges include: poorly constructed and overcrowded housing; difficulty in asserting rights to land; insecure tenure status with constant threat of eviction; occupation of marginal land subject to environmental threats such as flooding and climate change; unequal and poor access to essential urban infrastructure and services such as water and sanitation, street lighting, waste disposal and removal, police and fire protection, and public transportation to employment centers; increased crime rates; difficulty in securing access to reasonably priced financial services; poor health conditions, including a high incidence of lifestyle diseases due to the stresses of deplorable living conditions; unhealthy environmental conditions including indoor and outdoor air pollution; high cost of the basic necessities of life including food; threats to social stability and opportunities for exploitation of disaffected slum dwellers, especially the youth, to extremist ideologies;⁷ lack of equal access to affordable educational

⁴ UNFPA, *op.cit* p. 69

⁵ Population Reference Bureau, "World Population Highlights: Key Findings from PRB's 2007 World Population Data Sheet."

⁶ World Bank, 2009, *World Development Report, Reshaping Economic Geography*, p. 211.

⁷ In his seminal work *Planet of Slums*, Mike Davis highlights the findings of a RAND Corporation study of demographic changes that concludes that the urbanization of world poverty has resulted in the "urbanization of insurgency" where insurgents establish "liberated zones" in urban areas.

opportunities and difficulties in securing steady, gainful employment, particularly among the youth, due to discrimination and lack of qualifications.

The challenges posed by the inexorable urbanization of the developing world and the increase in urban poverty are indeed formidable and unless these issues receive far greater attention and resources by both national and local governments, as well as the international community, than they currently do, starting now, many cities may reach a point where solutions down the road are exponentially more costly and difficult to implement and the inherent advantages of urbanization will be overwhelmed by the problems. Indeed, the World Bank has characterized urban poverty as the “most significant and politically explosive problem of the 21st century.”⁸ The UN Commission on Humanitarian Affairs has recently cautioned “population growth, urbanization and migration will create new human caseloads... by 2025 the percentage of people living in cities will rise from 45 to 59 percent, creating nine new mega-cities where providing water, sewage, food, jobs, power, education, health care and security will be a challenge.”⁹

However, if concerted and coordinated multi-sectoral efforts are mounted by local and national governments, international aid organizations, community-based organizations and, most importantly, the ambitious and creative urban citizens themselves, these challenges can be met. But there is no time to lose. As the recent Rockefeller Report, *Century of the City* states: “if the world’s cities seize these opportunities, they will have more than a fighting chance of succeeding: ignore them and blind forces ranging from climate change to hunger to social conflict may set this urban century on a destructive course.”¹⁰

II. USAID’s Current Efforts to Address the Urban Poor

Unfortunately, despite the undeniable demographic realities and increasing international recognition of urbanization’s critical linkages to economic growth, health, security, democracy and governance and the environment, USAID has significantly scaled back its urban programming during the past ten years.¹¹

USAID programming to address urban development and the growing phenomenon of urban poverty is not even mentioned in the State/USAID Strategic Plan, or in the latest EGAT Congressional Budget Justification (CBJ), and urbanization is almost completely ignored in the Foreign Assistance Framework and the standardized list of performance indicators. In fact, the USAID operating plan discourages coordination and multi-sector approaches. Nor is urbanization mentioned in the Help Commission report. In addition, funding levels for programs addressing urban issues, including urban poverty, urban livelihoods and urban infrastructure, have shrunk to a mere fraction of what they once were in the 1980s and 1990s. Finally, the once highly-regarded and sizeable cadre of urban professionals in

⁸ World Bank, “Urban Policy and Economic Development: An Agenda for the 1990s,” 1991, p.4.

⁹ Hansjoerg Strohmeyer, U.N. Office of the Commissioner of Humanitarian Affairs, as quoted in *Front Lines*, August 2009, pp. 1, 15.

¹⁰ Peirce, Neal and Johnson, Curtis, *Century of the City, No Time to Lose*, Rockefeller Foundation, 2008, p. 53.

¹¹ From the mid-1970s through the late 1990s USAID was a recognized leader in international housing and urban programming and its network of Regional Housing and Urban Development Offices, staffed by a professional cadre of trained urban specialists, was unmatched in terms of on-the-ground technical capacity. The primary USAID financial vehicle for addressing urban issues was the Housing Guaranty (HG) Loan Program and related grant financing. Prior to its termination in 2000, the HG program had made over \$3.3 billion in loan guarantees to approximately 40 countries and institutions in Latin America, Africa, Asia and Eastern Europe.

the Agency has shriveled to a shadow of its former self and the organizational unit responsible for urban issues has been progressively downgraded in status. This lack of recognition of urban issues is shortsighted, if not misguided.

Currently USAID's Urban Programs Team (EGAT/UP) manages just a handful of small, relatively meagerly funded programs and very few Missions include a discussion of urban poverty and urban programming issues in their strategies.¹² Encouragingly, EGAT has just announced a new Indefinite Quantity Contract (IQC) procurement for energy, water and sanitation, roads and transport, urban management and information and communications technology, and has recently made a significant award under an Annual Program Statement for water and sanitation in African urban areas. A modest technical assistance procurement dealing specifically with urban health issues is also being planned, following up on the earlier Hygiene Improvement Program.¹³

III. A New Approach

A new Urban Strategic Framework

Unfortunately, USAID urban-based activities, developed and implemented through different technical and regional bureaus, individual missions and by different contractors or grantees, are all too often piecemeal and uncoordinated, even when they take place in the same country or city. Potential synergies between them, which would enhance their overall effectiveness, are not taken full advantage of. A new approach to urban programming is urgently needed to address the concerns of the urban poor in a more holistic way and to maximize the synergies among sectoral programs taking place in urban areas.

The crux of the new approach should be the development of a comprehensive *Urban Strategic Framework* to guide overall agency urban policy and country-based programs designed to improve the quality of life of the urban poor. This *Framework* would identify some broad goals and strategic approaches that USAID/Washington and the Missions can take to address the key urban quality of life issues over a five year period. It would also lay out a three-to-five-year Action Agenda with identified targets.

¹² The recently ended and current EGAT/UP programs include:

- Sustainable Urban Management II — recently extended through 2014;
- International Youth Federation GDA — continuing (focusing on youth workforce development);
- Decentralization/Local Governance Strengthening Technical Assistance IQC — terminated in 2009;
- Sub-National Finance Cooperative Agreement — ending in 2009;
- Habitat for Humanity/International Housing Coalition LWA — ending in 2010;
- Elements of the Hygiene Improvement Program — ending shortly;
- City-Links Cooperative Agreement (linking technical experts from the U.S. with their counterparts in developing countries) — ended in 2009.

¹³ This is not meant to discount in any way the value of many on-going Mission-managed activities in sectors such as health, HIV/AIDS, education, water and sanitation, energy, good governance, anti-corruption, emergency assistance, micro-enterprise development and micro-credit programs and land tenure/property rights that take place in urban areas and benefit the urban poor. Examples include the ECO-Asia Program, Indonesia's Environmental Services Program and the follow-on Urban Water, Sanitation and Hygiene Program (currently out for solicitation), Bangladesh's Municipal Health Partnerships Program, Ghana's Housing Micro-finance Program, the various Iraq, Pakistan and Afghanistan water and sanitation and municipal governance programs and municipal services and governance programs in several countries in Eastern Europe, Latin America and the Middle East. Several Development Credit Authority (DCA) loan guarantees also focus on improvements to urban infrastructure, particularly water and sanitation. What this discussion is meant to do, however, is to highlight that the Agency's capacity, both financial and technical, to support those Missions where urban problems are becoming particularly acute has diminished considerably.

The framework would provide more specific guidance to Missions to address the needs of the urban poor, including access to improved shelter and essential urban services such as water and sanitation, education, health and financial services, assistance to mitigate and adapt to environmental threats (including global climate change), gender and youth challenges, crime and safety issues, and assistance to improve urban governance, increase political voice, and create job opportunities. This would be something akin to the recently-developed Water Framework.

The framework would also serve as a point of reference or departure for the integration of an urban dimension into sector strategies (e.g. health, education, and environment) and Mission country strategies and would lay the groundwork for the inclusion of urban poor programs in the new Administration priorities of Global Climate Change, water and sanitation, global health and food security. In a sense, the new *Urban Strategic Framework* would be a refinement and enhancement of the “Making Cities Work” cross-sectoral strategy launched by the Office of Urban Programs at the beginning of the decade.

The Action Agenda would also lead to the design of several specific programs to address the goals and achieve the targets. These programs would include a *vehicle to provide assistance to Missions* in urban programming, an urban program *Incentive Fund*, and several *pilot programs* to test viable approaches to integrated urban programming. These are described in more depth later in this paper.

Finally, the action agenda should recommend a significant *expansion of staff positions* for urban specialists to be located both in Washington and in the field. It should also propose *training for all new employees* in the program and technical backstops in urban poor planning and *for technical experts in other disciplines* on how urban poor issues can be integrated into their specific sectoral programming.

EGAT/UP should plan to develop the new Urban Strategic Framework in FY 2010 to be endorsed by the Administrator and implemented in FY 2011. The EGAT/UP team has in place the tools to do so. Framework development should then be closely followed by the development of a USAID “users’ guide” for both the central bureaus and the Missions on ways to integrate the concerns of the urban poor into their country strategies and into the planning of sector and initiative programming.

The use of an *Urban Strategic Framework* should not be looked at as a vehicle leading to “top down” comprehensive and costly slum upgrading programs, funded by siphoning off significant funding from existing program resources — a robbing Peter to pay Paul effort. Rather, it should be looked at as an effort to do things in urban areas in a different way — making programs and activities taking place in urban areas work together more effectively and efficiently by promoting synergies. Not only would such an approach stand a better chance of significantly improving the lives of the urban poor but this can also be a proactive way for USAID to demonstrate its commitment to aid reform and improved results.

Benefits to USAID of the New Approach

The benefits to USAID from such a new, integrated approach to urban programming are many.

The approach would:

- Lend cohesion to sectoral activities already taking place in urban areas — creating synergies among them and making them work more effectively;

- Draw (rightfully needed) increased attention to quality of life issues specifically affecting the urban poor;
- Add a new critical element and context to programming of the new Agency priorities such as the Global Climate Change Initiative, water and sanitation, the Global Health Initiative and the Food Security Initiative as well as other cross-cutting issues such as youth programming, local economic development, education and micro-enterprise development through some relatively quickly mobilized programming;
- Reach a large number of people with USAID programming due to high urban densities;
- Have tremendous impacts for relatively few resources per capita;
- Potentially lead to a larger USAID seat at the table among the international donor community active in addressing urbanization issues and allow it to regain a position of leadership in shaping the international urban agenda;
- Provide new opportunities for Global Development Alliances or partnership arrangements with other donors and foundations;
- Contribute to USAID efforts to improve aid effectiveness and other elements of the Paris Declaration agenda; and
- Be a proactive way to respond to Congress' concern that aid be delivered more efficiently and effectively.

Why Now?

The time is ripe for the Agency to take a fresh look at urban programming. Congress appears serious in moving forward with efforts to reform foreign assistance — if not this year due to other priorities — at least next year. A robust framework to address urban poverty, if developed over the next several months, could factor into the discussions on the shape of future assistance programs. It could move the concerns of the urban poor “onto to the table” during legislative discussions and give the issue increased visibility. Congress has already indicated some interest in the subject with the introduction of the Shelter, Land and Urban Management (SLUM) Assistance Act of 2009 (H.R. 1702), sponsored by 20 members of the House.

Other multilateral and bilateral donors have demonstrated a renewed interest in urban programming and this presents opportunities for USAID to work collaboratively with them on programs of mutual concern. For example, the World Bank has just issued a new Urban Strategy; UN HABITAT is beginning to draw some conclusions from its Slum Upgrading Facility (SUF) pilot programs; the Cities Alliance is implementing a new Medium Term Strategy 2008-2010 and evaluating the effectiveness of its programs of the past several years on slum upgrading and city development strategies; the U.K.'s Department for International Development (DfID) is in the early years of implementing a new Urban Strategy; and the regional development banks (AfDB, IDB and ADB) have recently undertaken new initiatives that take a more holistic look at the needs of the urban poor.

The past few years have also witnessed an increased interest on the part of foundations and the non-governmental community in urban programming. For example, the Bill and Melinda Gates Foundation is already implementing slum upgrading programs in several countries and has just awarded a \$15 million grant to the Cities Alliance for slum upgrading programs in up to 20 cities in five countries. The Rockefeller Foundation has also recently increased its support for urban programming — publishing *Century of the City: No Time to Lose*, funding the recently-published report of the International Housing Coalition, *The Challenge of an Urban World: An Opportunity for U.S. Foreign Assistance*, and sponsoring several activities in connection with World Habitat Day 2009. InterAction recently

held a panel on “Tackling the Problems of Slums and Urban Poverty” at its 25th Anniversary Forum and is forming a working group dealing with urban slums and the needs of the urban poor. CHF International is collaborating with the Woodrow Wilson Center on several potential activities to increase the visibility of the plight of the urban poor leading up to the World Urban Forum V in Rio de Janeiro in 2010. Habitat for Humanity International is considering revising its strategy to broaden its approach from “one-off” housing projects to more strategically-focused efforts to increase the scale of its impacts.

As noted above, the Obama Administration is currently developing the parameters of a new initiative on Global Climate Change (GCC) and USAID stands to gain significant new funding to address this issue. Any new GCC program should address both efforts of cities to mitigate greenhouse gas emissions by reducing energy consumption as well as adaptation efforts to soften the impacts of GCC on those most vulnerable, including the urban poor. Additional funding for water and sanitation also presents an opportunity for an increased focus on issues affecting the quality of life of the urban poor. The Global Health initiative presents a great new opportunity for the Agency to increase its focus on the health needs of the urban poor. Finally, the new Food Security Initiative should provide an opportunity for a real discussion about the value of urban based investments – particularly in secondary cities and market towns – in increasing agricultural productivity, strengthening markets and increasing food supply in developing countries.

If a new urban poor programming framework is in place, if practical, user-friendly guidelines are developed and widely disseminated and if pilot programs are undertaken and lessons drawn from them, focusing some of the anticipated new funding for GCC, water and sanitation, health and food security programs on the urban poor could provide USAID with “quick wins” and simultaneously help to raise the priority of urban poor programming. However, if EGAT/UP is not ready to take advantage of these new funding sources over the next couple of years, the window of opportunity for elevating the importance of urban poor programming may begin to close and efforts to mount a more comprehensive approach to meeting the needs of the urban poor could stall.

Constraints

Regrettably, much of USAID programming is in direct response to Congressional earmarks or to Administration “initiatives” and there is little flexibility within USAID to undertake new initiatives outside of the earmarks and Administration priorities. The introduction of the SLUM Act has indeed begun to heighten Congressional interest in the needs of the urban poor but prospects for the passage of an Act this year are uncertain and the legislation does not include any new funding. Nor is it likely that the Obama Administration will be proposing a new initiative that focuses on international urban issues.

Urban programming has traditionally suffered in USAID because it is not a neatly-defined, discrete “sector” like health, the environment or education, but is rather more of a cross-cutting theme. This is also reflected in the fact that the Foreign Assistance Framework is largely silent on urban issues and few, if any, of the Agency standard indicators refer to urban issues *per se*. While many sectoral activities do take place in urban areas, coordination of such activities and discussions of the potential synergies between programs could be much more robust, leading to improved results. A further constraint is that few Agency professionals are trained to look holistically at urban poor issues.

Since urban development and programming to improve the quality of life of the urban poor are cross-cutting issues and do not fit neatly into one of the existing USAID “stovepipes,” and will not likely be

the subject of either a Congressional earmark or a new Administration initiative in the immediate future, there is little chance that a major new stand-alone and reasonably well-funded “urban poor initiative” would gain any traction as a new USAID program area at this juncture.

There are obvious turf issues at play as well — given continuing tight budgets for most programs except for earmarks and initiatives and probably global health (including HIV/AIDS), any new program idea that is perceived to be siphoning off funds from existing priorities would be resisted by those managing programs that would potentially be cut.

Thus, the approach recommended herein — a refocusing of existing sectoral programs to pay greater heed to the needs of the urban poor and drawing on new sources of funding for either earmarks or Administration initiatives (GCC, GH, water and sanitation, Food Security, etc.) — would be more feasible in the short run and more likely to achieve buy-in from potential stakeholders. It would also provide USAID with an opportunity to gain a head start if a Congressional earmark for urban upgrading is appropriated in the future.

IV. Elements of the New Approach

Despite the constraints, a new approach leading to the design of a set of cross-cutting and integrated programs to address the needs of the urban poor could be crafted fairly quickly by building on knowledge and experience already existing within USAID, other donors and organizations (World Bank, Cities Alliance, DfID, UN HABITAT, etc.) and experienced contractors and grantees. It would demand relatively small amounts of resources yet would yield tremendous benefits. The proposed new program is nothing radical; rather it is a new way to structure assistance programs to provide greater focus on the urban poor.

Key Elements of the New Approach:

A. A New “Urban Strategic Framework”

The new approach relies at the outset on the development of new *Urban Strategic Framework* described more fully above.

B. Integration of Urban Poor Programming into Emerging Priorities and Existing Sector Programs

Consideration of the needs of the urban poor should be integrated directly into the planning for priority Agency programs — Global Climate Change, youth programming, gender programming, food security, disaster mitigation, global health and water and sanitation. In effect, the new *Urban Strategic Framework* should be used to “orchestrate” urban-based activities supporting the various initiatives and priority programs. This should be done by assuring that the programming guidance for these initiatives and programs specifically includes planning for the needs of the urban poor.

The Action Agenda should also assess ways in which planning for the needs of the urban poor can be integrated into the programming of existing sectoral activities, such as education programs, democracy and governance programs, environmental programs, etc. To do so may require some revision of the programming guidelines for the various sectors so as to increase the focus on the needs and challenges of the urban poor.

C. Improved Programming for the Urban Poor Initiative

The completion of a new *Urban Strategic Framework* (including the Action Agenda) should lead to the design of a new initiative, *Improved Programming for the Urban Poor* to be managed by a strengthened Urban Programs Unit in EGAT. The fundamental purpose of this program would be to provide assistance to Missions to: (1) increase their recognition of and appreciation for the issues facing the urban poor; (2) consider undertaking an integrated approach to addressing these issues as a part of their country strategy; (3) identify cross-cutting, multi-sector solutions to the challenges faced by the urban poor and refocus specific sector strategies (e.g. health, economic growth, democracy and governance, etc.) by integrating urban poor programming into them and (4) assure that urban poor programming is an important component of the planning for the new priorities and initiatives such as Global Climate Change, water and sanitation, Global Health and Food Security.

Core funding for a strengthened urban unit in EGAT as well as for technical assistance IQCs would come from the EGAT program budget, but would be supplemented by funding from the Presidential Initiatives, including the Global Climate Change Initiative, the Food Security Initiative, and the Global Health Initiative, from the substantial increases in funding for water and sanitation and from the EGAT infrastructure budget. Limited additional funding would also be expected from DCHA — for planning programs focusing on DG issues, including those of women and youth, and for disaster preparedness programs, specifically focusing on the urban poor. Finally, some additional project resources would come from the Global Health Bureau for specialized activities such as hygiene promotion and HIV/AIDS assistance.

Flexibility would be paramount to the new approach. While some Missions may wish to implement an integrated program that would focus on the urban poor, other Missions may only wish to build an urban poor component – or an “urban poor optic” — into projects in other discrete sectors such as micro-enterprise development, youth programming, education, health, food security, neighborhood stability, disaster preparedness, improved governance, etc., or into their response to the water and sanitation earmarks and the new Global Climate Change, Global Health and Food Security Initiatives.

D. An Incentive Fund

The new approach would also create a modest *Incentive Fund* in EGAT/UP which would be used to match funding from Missions for eligible activities targeted to improve the quality of life of the urban poor. To be eligible for matching funds, Missions could plan for grant funded activities from their Operating Year Budget (OYB) or use transfer authority to undertake a DCA program focusing on the urban poor. It is suggested that a fund of \$10 -12 million initially be created for this purpose from resources to be made available from the new Global Climate Change, Food Security and Global Health Initiatives and from water and sanitation funding. It may also attract resources from Democracy and Governance (DG) programming and perhaps from education, micro-enterprise and other health sources as well as from the Office of Foreign Disaster Assistance (OFDA) for urban mitigation and adaptation programs. If resource levels from these other sectoral programs are not sufficient to allow them to contribute to the Incentive Fund, efforts would nonetheless be made to add urban poor programming to their portfolio. The Incentive Fund could be expanded over time depending on demand and results.

Eligible Activities for Matching Funding from the Incentive Fund:

Grant Funded

- Water and sanitation programs, including community infrastructure, for urban poor neighborhoods
- Climate Change mitigation and adaptation programs -- designed to minimize the negative impacts of climate change on urban poor neighborhoods
- Environmental programs dealing with issues of particular concern to the urban poor (e.g. air pollution — both indoor and outdoor, sanitation and waste disposal, etc.)
- Programs designed to strengthen security of land tenure and rental occupancy for the urban poor
- Programs to strengthen urban-rural linkages (e.g. improved roads and markets) which would contribute to food security
- Health programs specifically adapted to the needs of the urban poor, including hygiene programs, reproductive health programs, and respiratory illness, malaria and water borne disease prevention programs
- Youth programs -- focusing on education programs for school leavers, job and workforce preparation training
- Adult education programs -- tailored to the needs and the time constraints of the urban poor (e.g. gender friendly training)
- Capacity building for municipal governments responsible for physical and social planning for low income urban communities
- Capacity building for non-governmental and community-based organizations working with low income urban populations
- Emergency preparedness programs focusing on urban poor neighborhoods (e.g. improving drainage)
- Programs to make credit more accessible for housing construction and upgrading and related service improvements

Credit Guarantees

- Some limited infrastructure investments funded through the Development Credit Authority and targeted grants (e.g. water and sanitation) -- including community-based infrastructure
- Others TBD

E. Pilot Programs

In addition to the *Incentive Fund*, it is suggested that EGAT/UP design and implement *pilot integrated urban programs* in, for example, three countries — perhaps one in Africa, one in Asia and one in the Middle East. Countries to be selected would be those in which the Mission has recognized the need for and expressed an interest in undertaking a new more comprehensive way of programming for the urban poor. The pilot programs would be designed around the needs of one low income community in one city in each of the selected countries. A comprehensive inventory of community needs would be developed to guide the future interventions — the inventory would assess needs across the sectors, including education, crime/neighborhood stability, land, housing and related infrastructure, water and sanitation, adaptation to GCC, employment, youth, health, credit and finance, and disaster preparedness. It would also assess capacity issues of both the local government and community-based organizations.

From the inventory, an integrated, multi-dimensional urban program would be developed that addresses the identified sector needs through specific interventions but that does so in a way that maximizes the synergies among the various activities. Global Climate Change mitigation and adaptation measures would also be considered. While specific activity targets and results packages would be developed, a broader set of development indicators would be developed to look at the results of the integrated approach. The pilot programs should test the theory that a more broad-based approach to improving the quality of life of the urban poor is more effective than dealing piecemeal with one-off programs addressing a single sector — i.e. that the whole is greater than the sum of its parts.

Estimated costs for three pilot programs would be in the range of \$3-4 million each. Technical assistance for the development of the pilot programs would be provided through an IQC with EGAT/UP. While some limited funding for planning and implementation would be made available by EGAT/UP to Missions undertaking the pilot programs, additional funding from AID/W units such as Global Health, EGAT/ED, EGAT/water and sanitation, EGAT/Infrastructure, EGAT/micro-enterprise would be made available to participating Missions specifically for these pilots. The regional bureaus would also be asked to participate in the pilot programs. Missions would be expected to contribute some of their own resources from their sector-specific allocations to help fund the pilots.

The Missions where the pilots are to be conducted should be selected according to the following criteria:

- Demonstrated interest from the national government, the selected city and the target neighborhood in an integrated, multi-sectoral program addressing the needs of the urban poor;
- Reasonable likelihood that with some additional technical assistance to the city government and community-based organizations the capacity required to successfully implement the program can be created. For this reason, the size of the selected pilot community and the complexity of the issues should not be “overwhelming;”
- Missions that have indicated an interest in a program of this type – this would point to Missions that may already have a significant number of activities already taking place in urban areas;
- Missions that will be undertaking an expansion of their urban water and sanitation activities with additional funding provided through the Water for the Poor earmark;
- Missions that are likely focus countries for upcoming Global Climate Change activities, including both mitigation and adaptation;
- Missions that have a professional staff capable of designing and managing a program of this type — this would probably exclude very small missions;
- Missions that have a robust enough budget to allow for a program of this type;
- Missions where there may be realistic possibilities for collaborating with another donor or with a foundation (such as the Gates Foundation, Rockefeller Foundation, etc.) or with a private sector partner in a global development alliance (see discussion below); and
- Other criteria to be developed as the planning process evolves.

V. Relationships with Other Donors

As noted above, although the demographic reality of an urbanizing world has been largely ignored in the policies and programming of United States development agencies over the past decade, there is a growing number of other bilateral and multilateral donors and philanthropic organizations that do

acknowledge urbanization as an increasingly important phenomenon and are actively seeking solutions to address some of its challenges and opportunities. Among the multilaterals are UN-HABITAT, UNFPA, the World Bank, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the European Union and the Cities Alliance. Chief among the bilaterals are the UK's DfID and France's Agence Francaise de Developpement (AFD), although both of these organizations have focused their resources on a limited number of developing countries.

There are many opportunities for USAID Missions to coordinate with and even collaborate with other donors active in funding urban development programs. Indeed, not to do so risks duplication of effort and flies in the face of the Paris Declaration principles of coordination and harmonization of assistance. Such collaboration also leverages scarce resources, enabling more robust results.

The World Bank has just issued its new Urban Strategy and presumably country programs will be modified to reflect the strategy. The World Bank is by far the largest donor for urban programs. In 2008, the World Bank approved some \$2 billion in loan funding for 36 new urban projects, reflecting a continuing increase in the number of such projects and the growing recognition of the need for greater urban programming.

UN-HABITAT has been dealing with housing and urban issues for more than 30 years and has evolved from an organization dealing largely with housing issues to one that is now looking more broadly at all aspects of urbanization, including slum upgrading. Although its overall budget is modest by World Bank standards (at about \$100 million per year, excluding a special Iraq program), it has developed several innovative programs that may offer possibilities for cooperation and or collaboration as USAID Missions design urban programs. Among them are the Slum Upgrading Facility (SUF), a technical assistance and seed capital facility launched in 2004 to “test the potential for increased access to formal credit for slum dwellers’ organizations to implement slum upgrading programs,”¹⁴ and a Water and Sanitation Trust Fund, created in 2002 to support developing countries in achieving sustainable access to safe drinking water and basic sanitation for the poor, particularly in urban areas. The Trust Fund has raised more than \$50 million from donors and is rapidly expanding its assistance to regional development banks for project development.

The Cities Alliance, launched in 1999, is a coalition of some 23 partners, local authorities, national governments, international assistance organizations and one NGO (Slum Dwellers International), dedicated to addressing the challenges of urbanization, city development and the proliferation of slums. USAID is a Cities Alliance partner. The Cities Alliance provides grants in support of two primary programs, City Development Strategies (CDS) and Slum Upgrading (Cities without Slums.) In 2008, the Cities Alliance sponsored 24 new CDSs and slum upgrading projects worth more than \$10 million. To maximize the value of new USAID investments through the *Improved Programming for the Urban Poor Initiative* USAID would be well advised to focus on cities where Cities Alliance funded CDSs have been completed or are in progress or where Cities Alliance slum upgrading programs are being implemented or planned.

The Inter-American Development Bank (IDB) has had more than 25 years of experience with various types of a Neighborhood Upgrading Programs (NUPs) in a number of Latin American countries in-

¹⁴ UN-HABITAT, “*SUF Local Finance Facilities: What They Are, Why They Are Important and How They Work*,” 2008, p. 2.

cluding Chile, Columbia Brazil, Argentina and Bolivia. The Asian Development Bank (ADB), a Cities Alliance member, has been a partner with and financial supporter of the Cities Alliance in the completion of City Development Strategies (CDSs) and Cities without Slums (CWS) programs in several cities in India, the Philippines and Vietnam.

Although the African Development Bank (AfDB) still has more of a rural focus, during the past few years it also has begun to increase its attention to the issues facing the continent's burgeoning cities. For example, in 2006, UN-HABITAT and the AfDB signed a landmark Memorandum of Understanding to improve urban water and sanitation in African cities which is expected to mobilize over \$500 million in loan and grant funding over a five year period. The agreement has resulted in the two organizations preparing investment proposals for water and sanitation schemes as well as "pro-poor" Poverty Reduction Strategy Papers.

The message here is that other multilateral and bilateral donors are already engaged in urbanization and urban poverty issues and have valuable experience that USAID Missions can draw upon as they design and implement new urban programs. There are also many opportunities for collaborative work, or even partnership, with such organizations which would enhance the value of each of the parties' contributions. Such collaboration would also be evidence of USAID's commitment to aid effectiveness.

VI. Foundations and Global Development Alliances

Beginning in 2007, the Gates Foundation began to take a more active interest in urban poverty issues and, as noted above, it has recently awarded the Cities Alliance a major \$15 million grant to (1) build the capacity of organizations representing the urban poor and facilitate their access to formal local decision making and (2) invest directly into slums and their community institutions by capitalizing local municipal development funds. The three year program envisions interventions in approximately 20 cities in five countries in Africa and Asia.

The new Cities Alliance grant could present a golden opportunity for USAID to develop a Global Development Alliance (GDA) with the Gates Foundation and the Cities Alliance in support of the objectives of the new *Urban Strategic Framework* and as the countries and cities are selected for specific interventions, there would be new opportunities for USAID missions to partner with the Cities Alliance/Gates-funded programs to enhance the results for both parties.

As previously mentioned, the Rockefeller Foundation has also recently begun to increase its support for activities to raise the awareness of urban related issues and USAID should explore more opportunities to collaborate with it on issues of mutual interest related to improving the quality of life of the urban poor.

There may be many other opportunities for USAID to partner with U.S. or foreign corporations or non-governmental organizations in a GDA arrangement to address the increasing challenges of an urbanizing world. These should be more fully explored as part of the development of the new *Urban Strategic Framework*.

VII. Management Issues

The various components of the new approach would be coordinated and managed by a strengthened Urban Programs unit in the EGAT Bureau. In order to provide sufficient technical capacity to manage an effort of this scope, this Unit should be augmented by at least two staff members, either U.S. Direct Hire (USDH) or Personal Service Contractor (US PSC). EGAT should also designate a “point person” in several other of its offices to serve as technical resources to EGAT/UP, such as the Office of Economic Growth (including micro-enterprise development), the Office of Infrastructure, the Office of Education, the Development Credit Authority Office, the Office of Environment and the Office of Poverty Reduction. Additionally, an “urban liaison” should be appointed in the Global Health and DCHA Bureaus, and the Offices of Foreign Disaster Assistance and Food Security. Finally, a USDH urban specialist should be placed in each of the geographic bureaus.

In the field, a USDH urban specialist should be placed in each of the regional support offices (REDSO, etc.) and in those countries selected for the pilots, a USDH or a PSC should be identified as the program manager and receive special training through the EGAT IQCs.

This proposed structure requires an increase in the number of USAID urban specialists by eight to ten USDH and perhaps as many as five US PSCs. Given the scale and rapidity of urban growth and the complexity of the challenges facing cities of the developing world, this would be a reasonably sized cohort of professionals trained in urban poverty and urban development issues to manage an expanded urban program. Fortunately, the new hiring authority created through the Development Leadership Initiative (DLI) gives the Agency an opportunity to bring in new hires skilled in urban issues.

Finally, to deepen the understanding of the USAID professional staff of urban issues, a new *training course* in pro-poor urban planning should be designed for all *new employees in both the program and technical backstops* and a *second course* should be developed for *technical experts in other disciplines* on how urban poor issues can be integrated into their specific sectoral programming.

VIII. Promoting the New Approach

Strong support from the Agency’s top leadership is critical to raise the profile of urban poverty and development issues to a point where Missions take them more seriously and to where the proposed new approach to pro-poor urban programming results in a more equitable balance between urban and rural development. Accordingly, the new Administrator should issue a forceful message about the need for greater attention and resources to issues of urban poverty and urban development and announce the intention to draft a new Agency *Urban Strategic Framework*, which envisions the greater integration of urban poverty issues into the strategies of other key sectoral programs and the Presidential Initiatives, the design of the new *Improved Programming for the Urban Poor Initiative*, the creation of an *Incentive Fund* and the implementation of *pilot projects*.

The new approach should also be highlighted at upcoming Mission Director’s Conferences as well as conferences/meetings of other technical and program backstops in Washington and in the field (e.g. the Program Officers Conference scheduled for early 2010). A short, half-day session, “Introduction to Urban Programming” should be incorporated into the Agency’s basic orientation program for new hires. Briefings should be held with each of the Regional Bureaus’ senior staff, program staff and

technical staffs. Field visits should be scheduled by the EGAT/UP team to explain the new approach and program options to Mission staffs.

In addition, a more intense, three-day course on urban development and urban poor programming should be developed by EGAT/UP and offered in the regional field offices, much in the same way that training in water and sanitation programs is being provided. A “best practices guide” should be developed tailored to the USAID field Mission staff.

Missions often attribute the lack of an urban programming focus to its exclusion from the joint State/USAID Strategic Plan and the Foreign Assistance Framework. Urban programming is also only tangentially alluded to in the standard set of indicators. A consequence is, therefore, that there is little “demand” from Mission staff for programs targeting the urban poor. To help rectify this situation, once the new *Urban Strategic Framework* is approved, the Foreign Assistance Framework and the standard indicators should be expanded to reflect the importance of urban programming. In addition, as more professionals become sensitized to the needs of the urban poor and as more staff is recruited to work on urban issues, new demand will be created for such programming. This is in fact what is beginning to happen in the water and sanitation sector as more engineers are brought into the Agency and more Missions begin to fund water and sanitation programs.

IX. Monitoring and Evaluation

Careful attention must be paid to the monitoring and evaluation of the *Improved Programming for the Urban Poor Initiative*, the *Incentive Fund* and the *pilot efforts*. A results package should be developed encompassing all three efforts, including a new Strategic Objective, several Intermediate Objectives and appropriate indicators. A Monitoring and Evaluation (M&E) Plan should be developed as part and parcel of program design and sufficient funding identified to allow for a robust M&E component.

X. Summary of Conclusions and Recommendations

Now is the right time to rethink how USAID approaches the challenges posed by the rapid urbanization of the developing world in an integrated and holistic way. The demographic transformation of the world from rural to urban is fact — and the United States must adapt its assistance programs to the realities of an urbanizing world. While agriculture will remain an important part of the economies of many developing countries, it will be the cities, not the countryside, that increasingly will drive economic growth over the coming decades and provide a better opportunity for the majority of the world’s poor to achieve a more healthy and prosperous life.

Fortunately, there is heightened awareness among the leaders in the developing world of the need to address the challenges being brought about by urbanization. There is also a growing awareness of the need to address urban issues among members of Congress, the Administration, multilateral and bilateral donors, non-governmental organizations and major foundations. The private sector is also increasingly recognizing that efficiently functioning cities, a trained, healthy workforce and a clean environment are critical to its commercial success. Finally, it is becoming ever more clear that the efforts of cities to address Global Climate Change will have a major impact on the overall health of the planet.

While USAID does implement successful programs in urban areas, they are all too often isolated from one another and investments are not strategically planned to maximize synergies and impacts. A new approach is needed.

This paper recommends that USAID:

- Develop a new USAID *Urban Strategic Framework*;
- Develop a new initiative, *Improved Programming for the Urban Poor*, which would require some new funding but would rely primarily on a refocusing of existing funding resources and resources to be made available through the new administration initiatives;
- Establish an *Incentive Fund* for Missions to undertake more serious integrated programming for the urban poor;
- Design and implement *pilot integrated urban projects* in at least three cities; and
- Strengthen the *Agency's capacity* to plan and manage programs addressing the challenges of the urban poor.

There is no time to lose. It is far better for USAID to invest some modest additional funding to help the international community address urban issues now than to have to invest far larger amounts later to deal with the negative consequences of urbanization gone awry.

ANNEX 1

RELATIONSHIP OF THE PROPOSAL TO ADMINISTRATION PRIORITIES

A. Global Climate Change (GCC)

It is generally accepted that urban form and function and land use and behavioral changes resulting from increased urbanization affect the global climate and are responsible for the “urban heat island effect” which may raise the average temperatures of cities anywhere from 2 to 6° C above that of the surrounding countryside. This prompts a significant increase in energy use by those who can afford air conditioning and even more suffering for the urban poor who are less able to adapt or afford air conditioning. The UNFPA has concluded that climate change will aggravate problems associated with poverty and inequity. It notes: “. . .poor areas that lack health and other services, combined with crowded living conditions, poor water supply and inadequate sanitation, are ideal for spreading respiratory and intestinal conditions and for breeding mosquitoes and other vectors of tropical diseases such as malaria, dengue and yellow fever. . . Changes in climate and the water cycle could affect water supply, water distribution and water quality in urban areas, with important consequences for water-borne diseases. . . The impacts of climate change on urban water supplies are likely to be dramatic.”¹⁵ The consequences of climate change will be especially severe for the urban poor living in tropical latitudes.

The vulnerability of cities located in low lying coastal zones to increased flooding from weather related phenomena, caused at least in part by climate change, is becoming of urgent concern. More than 40 percent of the world’s population lives on or near coastlines. The low coastal elevations comprise but two percent of the world’s land but more than ten percent of the world’s population and the proportions double for low and middle income countries.¹⁶ Examples of weather related calamities abound: New Orleans, Indonesia, Bangladesh, Burma, the Philippines, etc. Of equal concern is the effect of GCC on cities located in particularly arid areas which are becoming increasingly vulnerable to drought. Parts of Southern and Sahelian Africa, Australia and the American southwest come quickly to mind.

Although the entire population of urban areas is affected by weather related phenomena exacerbated by GCC, it is the urban poor who suffer the most since they tend to live in the most vulnerable and environmentally precarious locations and have the fewest means to adapt.

While mitigation – steps to reduce greenhouse gas emissions – is of primary concern to developed countries, Neal Peirce and Curtis Johnson note: “For roughly the one billion of the world’s city dwellers who already live in dire physical circumstances of low quality housing and grossly insufficient infrastructure, mitigation is a distant theory.”¹⁷ Rather, they must look to adaptation as their most immediate priority. “For them, the only course is to prepare for and rebound from the weather related calamities that seem virtually certain to come.”¹⁸ Elliot Sclar of Columbia has noted “. . .adaptation is the key. If we are to reverse climate change we first have to survive long enough to do that.” He also postulates that the place to start with adaptation is where the poorest people live. “If one improves the conditions for the very poor, the result will be solutions that work for everyone. . . Adaptations to cli-

¹⁴ UN-HABITAT, “*SUF Local Finance Facilities: What They Are, Why They Are Important and How They Work*,” 2008, p. 2.

¹⁵ UNFPA, *op.cit.*, p. 59

¹⁶ Peirce and Johnson, *op.cit.*, p. 118

¹⁷ *Ibid.*, p. 108

¹⁸ *Ibid.*, p. 108.

mate change that will protect the poor can always be scaled up so that they have broad benefits. But if the approach is to move ahead with the strategies broadly targeted at the entire population, experience shows the disproportionately large plight of the poor is invariably forgotten and left out.”¹⁹ Thus, as USAID begins to program seriously in response to the emerging GCC agenda — particularly in the area of adaptation — consideration of programs targeted to the urban poor should become one of the highest priorities. A new *Urban Strategic Framework* could help to reinforce this urgent need to link GCC to improving the lives of the urban poor and ensure that increased programming for urban environmental health programs, housing improvement programs and environmental infrastructure are an integral part of the Agency’s response to the GCC initiative. Focusing GCC investments for adaptation in low income urban areas would also be a “quick win” for USAID. We know how to do this – what has been missing to scale up such efforts is the lack of priority urban investments have had in the Agency’s overall strategic planning.

B. Water and Sanitation

With the passage of the Senator Paul Simon Water for the Poor Act (PSWFP) of 2005 and the Congressional funding for the Act in FY 08 and FY 09, USAID has now begun to take seriously the problem of the poor’s lack of access to clean water and sanitation. The most recent report to Congress on the PSWFP Act noted that USAID obligations for water, sanitation and hygiene were 45 percent higher in FY 08 than in FY 07. For the first time, a number of Missions in Africa have begun to plan for water and sanitation programs in their future portfolios, while most water and sanitation activities in prior years had been limited to Asia and the Middle East. USAID has also begun to increase its technical staff for water and sanitation programs. This will create new field demand for such programs and further contribute to water and sanitation becoming important components in the strategies of a growing number of Missions.

The Congressional funding also calls for a balance between urban and rural programming. While in Asia and the Middle East a considerable proportion of the funding is directed at urban areas, it would appear that in Africa, the most rapidly urbanizing continent in the world, most Mission water and sanitation programs remain primarily rural focused. Although it is true that percentage-wise rural dwellers have less access to improved water supply and adequate sanitation, the rapid urbanization of the developing world would suggest that Missions, particularly in Africa and Latin America, should take into greater account than they currently do the water and sanitation needs of urban areas and in particular the needs of the urban poor.

A new *Urban Strategic Framework* could help increase the visibility of urban water and sanitation needs and assure that an equitable balance in water and sanitation funding between urban and rural areas is maintained. While urban water and sanitation programs may be more costly than rural programs, and standards may have to be higher due to urban densities, the greater number of people served per dollar by such programs in urban areas make the differences in per capita cost more palatable.

C. Global Health Initiative

In May 2009, the Obama Administration announced a six year \$63 billion Global Health Initiative which, in addition to funding current programs to combat HIV/AIDS, malaria and TB, will begin to increase the focus on broader global health challenges, including maternal and child health, family

¹⁹ *Ibid.* pp. 110,113.

planning and neglected tropical diseases. According to WHO, those most affected by tropical diseases are the poorest populations often living in remote, rural areas, urban slums or in conflict zones. The initiative will adopt a more integrated approach to fighting diseases, improving health and strengthening health systems.

Because of the growing health needs of the urban poor, the fact that communicable diseases can spread more rapidly through urban poor populations than in rural areas and the ability of urban health programs to reach large numbers of people per dollar invested, planning for the new Global Health Initiative should incorporate a special focus on urban health, with emphasis on the health of the urban poor.

D. Food Security Initiative

According to the FAO, world hunger will reach an historic high in 2009 with more than one billion people without adequate access to food. Food security is mistakenly often considered just a rural or agricultural issue and interventions typically target agricultural productivity and agricultural markets as well as food distribution to vulnerable populations. However, as a growing percentage of the world's poor is becoming urban, food security is becoming an increasingly urban issue.

Since urban populations purchase rather than grow the majority of their food, they must rely more on cash income to provide for their sustenance and, with the increases in urban poverty, it is becoming increasingly more difficult for urban families to meet their caloric and nutritional needs. Children, of course, suffer the most. Therefore, in addition to targeting the needs of the rural poor, food security programs must take into account the unique characteristics of the urban poor, such as high mobility, significant diversity (ethnic, religious, etc.) and relatively high female employment outside the home. They must also recognize that coping strategies differ between urban and rural populations and design programs to support these strategies during periods of food insecurity.

In July 2009, the G-8 leaders announced a new \$20 billion worldwide Food Security Initiative and the United States pledged \$3.5 billion for agricultural development to support the initiative. As yet, Congress has not taken action to appropriate funding for the initiative and details of the initiatives have still to be elaborated. However, as the shape of the program begins to become clearer, it is imperative that the food security needs of the urban poor be considered as an integral part of program planning and that it not become entirely an agricultural development initiative.

In addition, the proposed new *Urban Strategic Framework* should take into consideration the specific food security issues of the urban poor and suggest possible strategies for addressing what is becoming an increasingly urban phenomenon. Finally, some of any new funding appropriated for a Food Security Initiative should be directed to programs that address the particular needs of the urban poor.

ANNEX II

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ANNEX III

PERSONS INTERVIEWED

USAID (alphabetical)

Margaret Harritt
Michael Keshishian
Anthony Kolb
Alexi Panehal
Stephen Pierce
Jessica Tulodo
Michael Yates

U.S. Department of State

Wade Warren

Center for Global Development

John Simon

Cities Alliance

Julian Baskin
Hilde Refstie