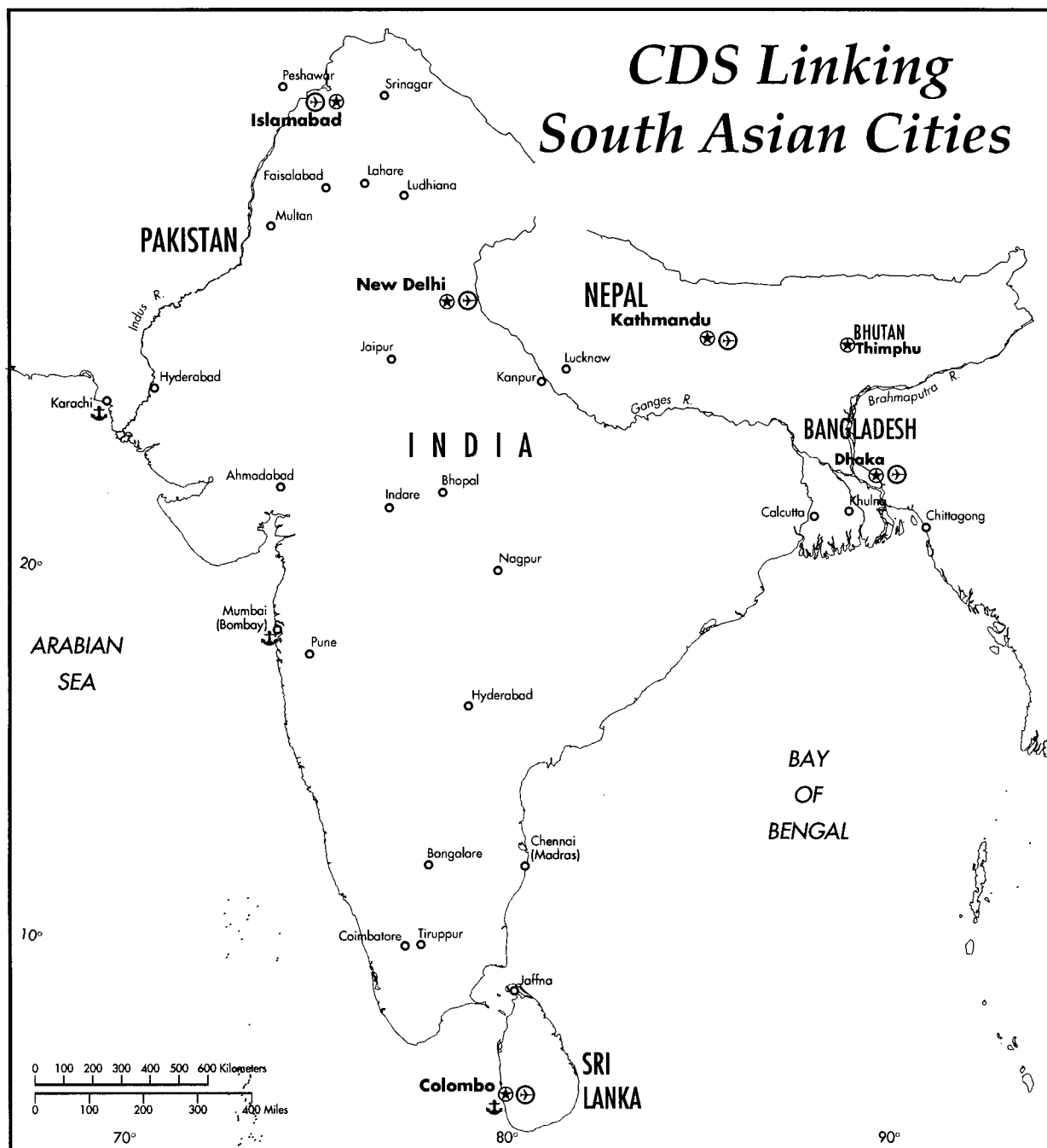


City Development Strategy (CDS) South Asia Region

Box 15



Progress Report July 2000



**CITY DEVELOPMENT STRATEGY (CDS)
SOUTH ASIA REGION**

**PROGRESS REPORT
JULY 2000**

**Infrastructure Sector Unit
South Asia Region
The World Bank**

CDS Progress Report Team

This report is the outcome of a collaborative process between several CDS Task Managers, advisors and task team members from the World Bank and counterparts from the CDS cities made up of administrators and city managers, politicians, citizens from all walks of life in these cities, consultants, and others.

The World Bank's task team included: Hiroaki Suzuki (Prin. Operations Officer - Team Leader), Kwabena Amankwah-Ayeh (Urban Specialist, Task Manager), Hiroaki Kawashima (INFUD), Gladys Stevens (SASIN), Bala Menon (SASIN)

Many other colleagues contributed with advice and guidance, particularly, Jonathan Kamkwala (Ag. Sector Director, SASIN), Richard Beardmore (SASIN), Kim Cuenco (SASIN), K. Mukundan (SASIN), Alberto Nogales (SASIN), Tashi Tensing (SASIN), Disa Wareepana (UNCHS - Fukuoka).

The CDS City Teams are outlined in the CDS - City Update reports for each city.

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Acknowledgement

In January 1999, we launched the CDS activities in South Asia with the cities of Dhaka and Khulna in Bangladesh. We are pleased to report that 8 cities in the South Asia region are currently implementing the CDS. In India, the State of Tamil Nadu is implementing a state-wide CDS program involving about 50 cities. This South Asia CDS Progress Report has been prepared to take stock of these activities and to summarize the progress made and lessons learned for future CDS activities. We acknowledge, with thanks, all the people that contributed to produce this report.

First of all, we would like to express our appreciation to all participating South Asia CDS cities, Ahmadabad, Bangalore, Coimbatore, Colombo, Dhaka, Katmandu, Khulna, Peshawar, Tirupur and the State of Tamil Nadu, India for their valuable input.

We would like to thank the Bank management, Ms. Mieko Nishimizu, (Vice President, South Asia Region), Ms. Frannie Leautier (Director, Infrastructure Group), Jonathan S. Kamkwala (Acting Sector Director, SASIN), John W. Flora (Urban Anchor) and Mark Hildebrand (Manager of City Alliance Program) who encouraged us to prepare this progress report and to share their thoughtful views on the urban development and CDS in their messages.

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We wish to thank the task team charged with the delivery of this report- Gladys Stevens, and particularly Mr. Kwabena Amankwah-Ayeh and Mr. Balakrishna Menon Parameswaran of SASIN who have coordinated the preparation work.

This report will be available at the website of the City Alliance (<http://www.citiesalliance.org/citiesalliance/citiesalliancehomepage.nsf/?Open>) as well as the website of South Asia Region of the Bank (<http://wb1n1018.worldbank.org/sar/sa.nsf>). We hope that this report will help all the cities in the developing countries implement CDS.



Hiroaki Suzuki, Principal Operations Officer
South Asia Regional CDS Coordinator
South Asia, Infrastructure Sector Unit
The World Bank

Message from Mieko Nishimizu, Vice President South Asia Region, The World Bank

"To fight poverty with passion and professionalism for lasting results." This, is the first sentence and the very essence of our Bank's Mission Statement. It has a special place in South Asia, because our Region harbors a lion's share of the world's poor. It is also in South Asia where most children of the world are growing up in poverty. There is no poverty alleviation without urban development, and no urban development without poverty alleviation. Increasingly at the global level, forces including rural-urban, urban-urban and intra as well as inter-city migration have moved and dislodged poverty to city slums and peri-urban neighborhoods. South Asian cities have not escaped these movements. The nucleus of the poverty in South Asia continues to shift from villages to towns to cities to mega-cities.

The UN predicts that by 2025, there will be 281 cities that will have populations of more than one million. About 118 of those million-people cities will be in Asia, as will be 7 of the 12 mega-cities of the world with populations of over 10 million. The quality of governance, management and administration is the key to South Asia's march towards livable urban settlements, and poverty alleviation.

The CDS process embodies important philosophies we share in the South Asia Region of the World Bank:

We think of development process as an ever-lasting process of change, wherein people of a society choose to gain more

control over their own destiny, enrich lives by widening their horizons, reduce afflictions and shackles of poverty, and improve the very vitality of life.

We think of development strategy as first and foremost that which a society would have developed for itself. We consider it for the society -- a living & dynamic strategic "framework" that is based on a long-term vision of the society's own; that identifies structural barriers for its transformation; that selects those who can serve as catalysts for change; and that is founded on a participatory process amongst the people to reach down deeply into the society in creating, revising, adapting and realizing that vision.

We think of country, sector, or city assistance strategy as our banking business strategy that maps into such a living & dynamic "framework".

Functionally, South Asian cities are facing multi-sectoral and multi-dimensional problems that must be analyzed, prioritized and addressed collectively to stimulate and sustain balanced growth and to improve the quality of life. The problems are complex and require solutions that are 'home-grown', informed by international knowledge of workable and sustainable approaches and solutions. The process of CDS in the South Asia context has been defined by the cities themselves. Therefore, the manifestation of success in each will be unique. This approach to development work is

refreshingly people-centered, which we believe will lead to sustainable and quality urban governance and management solutions.

We have learned from experience that we cannot act alone in assisting clients in their development of successful cities. Through the coordination efforts of the CDS processes in South Asia, the entire development community in the Region are working together to develop shared policies and institutional approaches that offer sustainable solutions.

The on going South Asia CDS processes have been spearheaded by city managers or administrators and their citizens. The World Bank has served this process by being an outward-looking facilitator in our shared quest – bringing knowledge and information, and keeping the intellectual basis of the work global. My colleagues have offered constructive ideas and support for problem solving in this learning and sharing process. We trust that insights gained by all participants in the processes will continue to grow over time, and remain invaluable to all of us.

I have shared in the excitement and the enthusiasm, with which my colleagues have reported on their partners' determination to build lasting institutions. I am proud that we are now far more connected with the people we serve in South Asia, turning urban governance in the Region into a new innovation prospect. I am also excited that we are pushing out the frontier of our knowledge and experience and welcoming change as challenge. Through the participatory change process of CDS, we have come closer to a shared vision of the World Bank that:

- Assists its clients to conceive, prepare, and implement development policies, programs and projects that are their own -- not ours;

- In so doing, listens, facilitates, motivates, mobilizes, and empowers clients at the grass roots;
- Learns from its clients, enriching other member countries and us in turn, through value intellectual rigorous analyses and honestly challenge orthodoxy to seek better solutions than known;
- Makes it a Bank whose clients want our service because they seek our technical excellence;
- Instills the important value to every staff to appreciate that it is not the projects we finance but the knowledge we impart in associated assistance process that lasts; and therefore
- Intermediates knowledge first, and money last.

This report highlights the discussion, processes, lessons learned in examining innovative options for participation by all stakeholders in seeking new social and economic contracts between civil society and urban governments. The improvement in relationships is geared towards providing better services for urban poor and directly contributing to urban poverty alleviation. The report attempts to capture the new wave of enthusiasm and entrepreneurial inclination to city management that is more transparent and responsive to citizens as "customers".

I hope we can set our eyes on jump-starting a dynamic process of social transformation, rooted firmly in empowerment and social mobilization at the grass roots in rural and urban communities. Stable societies are ones that have discovered positive powers of individual and collective empowerment -- therein lies a link between political stability and poverty

alleviation, in rural and increasingly in urban societies. We are working closely with our partners striving to fight against poverty in our cities, and in the process bring urban governance and management closer to the door of the most marginalized in society. The conviction and

hard work of many here and afar deliberating on these issues can contribute to alleviating poverty from the world in our generation. Let us strive in our efforts *to fight poverty with passion* in South Asia. I wish you a successful interaction at this conference.

Message From Frannie Leautier, Director Infrastructure Group, The World Bank

The 21st Century promises to be the *Urban Century*. The momentum that got underway in the 20th Century has positioned cities to be home to additional 2 billion people in the next 25 years. The trend of poverty moving to cities, if not reversed, will place nearly one billion city residents at risk of never breaking away from poverty. The move to secure better quality of life, good governance and efficient management, secure living spaces, and to improve efficiency and productivity of cities is growing. At the turn of the 21st Century, the absolute power behind networked infrastructures constructed as 'territorial adapters' (Dupuy, 1995) that invisibly brought the expanding modern metropolis, indeed the modern nation and global economic system, into dynamic articulation has been eroded almost to exhaustion by globalization.

Globalization has been accompanied by shifts in governance and political relationships between national governments and city managers. The multiplicity of things that seem to have peaked today – globalization, deregulation in trade, decentralization, downward and outward transfer of power to the institutions closer to the people, and the level of growth and development of urban agglomerations, are unique. Simultaneously, the edge of city boundaries have been blurred by movements that have increasingly shaped the relationships between what was traditionally called the city and the intervening spaces that have formed as interlay between city and rural areas. The previously clear distinction between a city and its rural hinterland is not so clear anymore. The need to generate and entrench cooperation and inclusion

of rural spaces to expanding city size growth is further emphasized by economic factors and the cost of doing business. In particular, there is now a need to include peri-urban, low-income neighborhoods, slums and other such spaces previously neglected in city strategies. Few social scientists dispute the rich diversity in cultural and economic assets of nations that often finds concentration in cities. What globalization has indirectly contributed to urban asset rearrangement is the transfer of power to act on these resources from the nation state to the cities mostly by dynamics of political and economic realities but also by deliberate institutional shifts.

The challenge of all these to urban governance has been remarkable. The keys to making cities work successfully lie in the ability of cities to harness and capitalize on the opportunities now prevailing in private-public partnerships and citizen participation in city management. The Bank's overall urban strategy seeks to help national and local governments build their capacity to (a) improve the lives of the urban poor, (b) manage urban growth, and (c) improve city efficiency, thereby contributing to national goals of poverty reduction and sustainable development. The strategy also calls for national urban strategies to be developed alongside City Development Strategy (CDS). CDS has become one of the more visible and effective Bank operational instruments adopted in the Bank urban strategy (together with other instruments such as national urban strategy and capacity building), to concretize the recognition the Bank now places on urban development. CDS attempts to mediate the spaces and

processes that enhance the ability of cities to continue to function as the engine of growth through high productivity and efficiency outcomes for nations.

CDS is an instrument that encourages cities to formulate their visions and goals in a participatory manner involving key stakeholders. Under CDS the cities and their stakeholders analyze their major issues, constraints and potentials. Based on the analysis (among other efforts), cities develop strategic options that enhance their opportunities to materialize their visions and goals. The blue prints include the cities' long term investment program and the institutional and capacity development program. Sometimes, the regional development program forms a part of cities' strategies when the growth of the cities depends on the regional development. CDS contribute to improving a city's governance through participation of all stakeholders. For example, the selection of investment projects, which used to be decided by a few politicians and bureaucrats, now gets decided rationally and in a transparent manner, leading to reduction of potential opportunities for corruption. Carefully designed, CDS provides the impetus to bringing in the voices of the socially weak segments of society (such as women, informal sectors operators, slum dwellers, and others).

The World Bank and the United Nations Centre for Human Settlements (Habitat) have joined forces to launch the 'Cities Alliance' which is intended to be a global partnership to help cities meet the urban challenges of the 21st century, to forge a new approach to urban development and to support initiatives of the poor. The CDS is precisely one of the two key instruments that the Cities Alliance uses to promote inclusive and participatory approaches to urban development and sound urban governance. Other development agencies have joined to expand the partnership to a scale commensurate with the

nature and size of the challenge. However, to succeed, the Alliance has to expand and continue to attract a broader constituency of development agencies.

Four pillars (mainly from the precepts of sustainable cities) form the Bank Urban Strategy. The aim is to help countries realize development benefits of urban growth through cities which are (i) '*livable*' with equitable opportunity for all residents to participate in the economic and political life of the city (e.g. access to essential services, secure tenure). In order to be livable, cities must be (ii) '*competitive*'. The challenge for cities to become and remain competitive is for them to use their comparative advantage through making their firms and households more productive. Cities must also develop spatially efficient markets for infrastructure (especially transport), land/real estate, labor, and capital as well as broad-based growth of employment, including informal sector. Competitiveness also means (iii) '*well-governed and managed cities*' that are accountable to their citizens and foster transparent local governance. They are responsive to the poor, with broad community participation in their system of management, and clear and rational sharing of responsibilities with higher levels of government and with the private sector.

Competitive cities are (iv) '*bankable*'. It implies that the cities are financially sound - local governments have resources (user charges, tax and transfers) appropriate to their expenditure responsibilities and greater financial autonomy, and good financial management practices to build creditworthiness. The Bank's challenge in this strategy is to achieve *greater impact* by taking a *holistic* approach - the city as integral unit of analysis and assistance (within national framework), committing to *scaling-up*

and *reinvesting* in internal urban knowledge and capacity through working through *partnerships*.

The Bank is earnestly pursuing these issues while continuing to strengthen core urban development products and services in municipal management, municipal development funds, housing and real estate advisory services, urban environment, and post-conflict/disaster

reconstruction. This CDS conference is important to us in the Bank as one of the main vehicles for frank knowledge sharing among partners working on similar issues and for building alliances. We believe that the synergies, relationships and trust built between the participants will lead to even better coordination and visible outcomes of our projects in our client countries.

Message from Jonathan Kamkwalala Acting Sector Director, Infrastructure Sector Unit South Asia Region, The World Bank

Although the share of urban population is relatively low, the vast numbers of urban dwellers and the rapid urban population growth rates in South Asia underscore the importance of 'urban', both as a sector and as an socio-economic region. As urbanization proceeds at a rapid rate, increasingly, cities and towns in South Asia are becoming the engines of economic growth. Nearly 50 per cent of the region's GDP is generated in urban areas. This is expected to increase in coming years. However, widespread disparities in incomes, low levels of human development, poor governance, weak institutional and financial capacities and large-scale deficiencies in urban services are retarding the livability and competitiveness of cities in South Asia. Externalities arising from proliferation of slums, rising air and water pollution, and growing crime and violence are hindering economic growth and threatening to undermine the gains of urbanization. As cities in the region become well linked to the global economy, their livability, bankability and competitiveness will determine the future of economic growth and environmental sustainability of the region.

After nearly a decade of very limited investment and involvement in the urban sector, the Bank is now taking a more active role in urban operations in the region. This is reflected in the increased dialogue with clients on urban issues, greater share of resources allocation to urban programs, and enhanced number of urban operations in the client countries. The focus of the Bank is now on the two most pressing issues concerning urban sector in the region - overwhelming *urban poverty* and *weak urban governance*. Over 31 per cent of the urban population in the region live in poverty. Lack of appropriate governance structures along with poor institutional and financial capacities are reducing development effectiveness.

City Development Strategy (CDS) exercises in South Asia have increased our understanding of the complexities of urban development in the region, as well as highlighting the lack of sufficient dialogue between city managers (our partners and clients) and citizens in addressing urban problems. Based on some of the results of the early CDS exercises, there are perceptible shifts whereby some of the CDS cities have already started to employ innovative and flexible approaches and mechanisms to involve their clients in decisions that were hitherto made by city managers on behalf of citizens.

Shifts in Urban Management

As countries worldwide move towards greater decentralization, the South Asia region is no exception. Already, there are signs that new local democracy has given urban local governments a greater responsibility for management and decision-making in South Asia. The downside of this shift is the dearth of technical, financial and managerial capacity available to deal effectively with the emerging challenges facing South Asia cities. It is also increasingly becoming clear that a shift in the traditional manufacturing base of South Asia cities towards a service and knowledge based industry is occurring. The need for innovative policies to attract and retain employment in cities requires appropriate tools and methods of analysis of urban processes to provide a firm basis for policy formulation. Strategic planning as conveyed by CDS exercises in cities is changing the traditional methods of urban governance, replacing *master plans* with *strategic plans*. Viewed as an urban version of a company's corporate strategy, CDS in South Asia cities is providing city managers with new tools to move their cities towards efficiency in allocation of scarce resources. It is also focusing on expanding productivity and most importantly bringing previously unheard voices

(of the poor, women, slum dwellers, others) to finding sustainable solutions to city problems.

The Process of CDS in South Asia

The CDS process in South Asia is still evolving, and no conclusions have emerged yet on its future direction. However, some commitment by city managers to what needs to be done to move closer to confronting major social and economic difficulties is already emerging in cities like Dhaka, Khulna, and Coimbatore, where CDS exercises have been completed, as well as those in Ahmadabad, Bangalore, Peshawar, Colombo, Katmandu and Tirupur where these are in progress. The processes occurring all bear some semblance of the following:

- A preparatory mission is undertaken in a city that attempts to *identify key partners*, obtain base-line information to guide an understanding of the city and in the process map out where the city stands at a particular point in time, begins most of the CDS processes in SAR. Alongside the various steps, teams are formed to undertake research which results are input in the process and provide needed understanding of the field.
- A well-entrenched participatory approach is employed to seek input into a *shared vision* of the city and where the city wants to be, building on consensus basis.
- At stakeholder group meetings, a formal political commitment, agreed vision and a strategic framework is arrived are debated, fashioned and agreed upon.
- The strategy formulation session involves a good measure of generating alternatives, evaluating and making choices between

competing alternatives, identifying stakeholder roles, and developing action and investment plans with a realistic financing framework.

- Implementation of demonstration projects, resource mobilization by stakeholders and donor negotiations attempt to concretize the vision of the city and its citizens.
- A regeneration phase during which projects undertaken and their outcomes are measured gauge what worked, what did not, what needs to be changed, what has changed in the interim, and whether the city is in the process of reaching its vision.

Some of the more concrete products that have emerged out of the South Asia CDS processes include a consensus vision statement for each of the CDS cities. These vision statements are owned by the city administrators and a broad majority of the cities' stakeholders who recognize the comparative strengths and advantages in the their regional context. What needs to be achieved in the next steps includes, for all cities, specifically agreed strategy framework for poverty reduction alongside economic growth and social responsibility for the city. This calls for action areas to be identified and parceled out as assigned roles for each stakeholder group. There will be need to experiment with implementation and learning of some small sized projects in each city to iron out implementation difficulties as well as commit internal resources and commitment of the political and private enterprises/machinery to sustain the CDS process. Only then should donors look at an overall framework for each city and make a contribution to helping each city advance the CDS process.

1. Introduction and Aim of the Report

This report purports to summarize the progress of the various CDS exercises being undertaken in the South Asia Region as input to the Asian City Development Strategy Fukuoka Conference, July 11-13, 2000. The report aims to share information and knowledge on the various approaches, methodologies, challenges and strides being made in a number of cities across the South Asia Region, in the effort to undertake CDS. Most of the CDS efforts remain “work-in-progress”. Therefore most of the ‘state of the city reports’ below happen to be sketchy (Accomplishments are yet to be fully realized and evaluated and so are the challenges, possible gains, lessons to be learned – save those already learned and feeding into the process, etc.) The report also sets out to benefit from the experience and knowledge of other similar efforts around the world. All comments and ideas on how some of the cases in specific cities could be improved are welcome and will be viewed with much interest.

This chapter attempts to outline the CDS process as envisaged by the coalitions of interests cooperating on the CDS exercise. It lays out the rationale, the purpose, hopes and aspirations of the CDS ‘movement’ in the Region and brings out some of the gains that could be made by cities that are truly committed and pursues this exercise honestly. Chapter three captures the state of the Region’s economy and the major changes evolving in the relationships between central and local governments. It maps out the history, coverage, issues, and major findings of the CDS efforts in cities across the Region and sets the stage to get into more specific city

centered CDS processes. In Chapter four, these reports on the individual cities, dubbed ‘the state of the cities report’, are discussed in detail and so are the differences in the approaches and methodologies used to undertake CDS in the South Asia Cities. This was necessary due to the level of interest, commitment, resources availability and other factors, which contributed to make CDS in each of the cities unique. Some conclusions out of the lessons learned from the cities across the Region are pulled together in Chapter Six.

The Basis for City Development Strategies – An Introduction

New Approach to Cities in an Urbanizing World:

The 21st century will witness massive and rapid urbanization, with two billion new residents in cities of the developing world in the next 25 years. This process, though stimulated by economic development, has also led to sharp divisions in growth between cities and among people. The 21st century will also witness increased urbanization of poverty. Nearly one billion urban residents in the cities of the developing world are likely to be poor if current trends continue. The challenge for the cities is to improve equity, efficiency, productivity, and governance in order to provide sustainable livelihoods, safe and secure living environments, and a better quality of life for the urban poor. The City Development Strategy is one tool which, along with slum upgrading, is being sponsored by members of the Cities Alliance to achieve sustainable urban development.

This Action Plan:

This plan is a call to mobilize the global urban community to take part in developing a new approach to urban development, starting with City Development Strategies to be financed in nearly 100 cities, affecting 200 million residents and 100 million poor over the next five years. The effort will have impact far beyond numerical totals. Cities Alliance and the CDS are intended to set new standards and develop new tools of participatory decision-making at the city level to reach self-sustaining capacity in cities and nations, so that cities might reach an entirely new development framework in this urban century.

Decentralization:

This challenge for cities is due to the momentous change in global relationships of exchange, coupled with the progressive shift in the balance of power between cities and nation states. The urban transition that will produce 50 million-sized cities in the next 25 years is not merely a matter of numerical change. It is also an historical shift in political and social relationships between cities and nations. The rich diversity in cultural and economic assets of nations are often concentrated in cities, and the power to act on these resources is gradually being transferred to cities, either by deliberate institutional shifts through decentralization policies or by political and economic reality.

Governance in Cities:

Improved urban governance is one of the most important keys to success in making cities work, not only to address the challenge of urban poverty, but also to harness the opportunities that globalization provides. With decentralization, the task of marshalling civic capacity to prepare development strategies falls increasingly to city government. Much work

will be needed to put enabling conditions and the norms of good governance into place so that cities can respond to the challenges before them. The norms of good urban governance characterized by sustainability, decentralization, equity, efficiency, transparency and accountability, civic engagement and citizenship, and security are mutually reinforcing. The participation of all the key stakeholders is essential for this process. Participatory governance is the only sure means of achieving an authentic vision of the future and the only sure way to achieve improvements in economic and social status for all citizens. The City Development Strategy promoted by the Cities Alliance is specifically designed to provide such a framework.

Value Added:

With improved governance and strategic planning, cities will attain new levels of efficiency and productivity. Tens of trillions of dollars will be needed for investments in cities to improve levels of service of the existing population, especially the poor, as well as to accommodate the urban dwellers of the future. Past experience has shown that only a small fraction of these investment needs is likely to come only from donor resources. Cities will have to strengthen their financial resource base, improve the operation and maintenance of existing infrastructure and develop its credit-worthiness to access domestic and international funds.

City Development Strategies are intended to help cities improve their governance and make new strides in qualitative and quantitative improvements in service delivery. Cities will be able to take action to mitigate crises; to plan proactively, to set out the goals and operational activities considered important by all stakeholders, and to achieve a smoother transition into future growth. Cities that are

governed and managed well can expect to improve the efficiency in scarce resource allocation. Many cities can also improve efficiency of administration and service, as has been shown in dozens of cities around the world.

A second area of value added is for cities that plan their strategic moves over decades can expect to waste fewer resources on “catching up” with rapid growth and poorly-sited facilities and services. Many cities have shown that a well-managed growth can extend services to low income populations in a way, which allows graduation to higher standards of service in accordance with public and private capacity to pay.

A third area is in expanded productivity, for both the organized and informal private sector as well as the public arena. Cities that understand their competitive position, and move wisely and quickly to capitalize on their comparative advantage, can expect worthwhile economic returns.

Content and Process of CDS:

The City Development Strategy is seen as an instrument to develop a civic capacity for collective vision and action. City Development Strategies are produced using participatory techniques and processes proven over decades of assistance; for instance, stakeholder buy-in and counterpart contributions, and fully informed citizenry. In addition, CDS process brings to life at the city level, the comprehensive approach, including the coordination of donor assistance, which is at the center of comprehensive development framework.

City Development Strategies address at least four broad themes, two may be thought of as establishing enabling conditions for growth and development and the second two as outcomes. Taken together they are seen as the fundamental

elements for sustainability in urban development:

- Good urban governance; as characterized by the norms in the campaign
- Fiscal balances, i.e., cities that are credit-worthy;
- Livability, especially for the urban poor in environmental, social, and economic terms;
- Competitiveness, i.e., the ability to improve productivity.

Specific outcomes expected from the participatory CDS process will vary in accordance to the specific context, but are likely to include:

- a collective vision for the city that is responsive to its comparative strengths and advantages in the national and regional context, that is “owned” by the city and all the stakeholders;
- an agreed strategic framework for growth and poverty reduction and identified action areas with assigned roles for each stakeholder group;
- demonstration and pilot activities to be carried out using internal resources;
- increased capacity in the city to conduct strategic development planning;
- an investment framework with sources of finance, including donor support; and
- at the national or regional level through associations of local governments and other institutions, to spread this capacity to other cities.

CDS Action Plan:

In the next five years, the Cities Alliance CDS activities will be undertaken in nearly 100 cities affecting the lives of over 200 million urban residents. CDS costs can vary greatly—say between US\$200 thousand and US\$1 million per city—and their leveraging ratio is equally variable. But the measure of success of the CDS Action Plan is not only the numerical impact in cities helped or lives improved, although these changes are important. Rather, **the measure of success is an impact on changes in institutional behaviors.** At the global level, this would mean setting a new standard of practice for city development strategies. By the close of the decade, the CDS will have become a standard approach in the practice of urban development, one that is more easily achieved and more effectively implemented than the traditional urban master plan, the obsolete cousin of the CDS.

Within specific countries, the CDS should have established a link between the development of urbanized regions on the one hand, and on the other, conceptual and empirical ties to the national decentralization and development agenda. The CDS should help national and city leaders to understand both the opportunities and bottlenecks in productivity and growth. The Cities Alliance will produce an analytical framework and monitoring indicators with which to measure these outcomes.

The first two years all partners of the Cities Alliance will be on a learning curve. This will require more detailed analysis of demand for work in each of the world's major regions, and entail developing the tools, including analytical frameworks, a guidebook, and monitoring indicators. Therefore in the first two years of the Cities Alliance, 7 to 10 cities will be taken up each year. In the subsequent years, 10 to 15 cities will be sponsored each year. Taken together, these CDS would generate investment at local level of around US\$400 million by Stakeholders, sub-national and national governments, bilateral and multilateral agencies. It is expected that this will affect the lives of 200 million urban residents and about 100 million poor.

Strategies in cities will differ greatly in content, scope, and focus. However, in most cities several themes will be central, governance, poverty, economic growth and sustainability. In selected cities, an effort will combine both City Development Strategies and Slum Upgrading efforts.

The Action Plan builds on the comprehensive approaches now being adopted in major development institutions and extends the programmatic efforts of agencies in the UN system and bilateral donors. Moreover, the Plan includes a built in learning process. Already, more than 30 cases are underway and form the sample of pilot experiences from which much has already been learned.

2. Views from the Consultant on the CDS in Dhaka and Khulna

Current Situation facing Dhaka and Khulna

Dhaka and Khulna authorities are extremely constrained to manage the cities due to many external and internal factors. Both are large urban areas with low per capita GDP and fast-growing population including a large number of urban poor. The expansion of the urban area is restricted by limited availability of flood-free land and the existence of institutional barriers that prevent the mobilization of available lands in the market. Population increase far surpasses the pace of supply of needed infrastructure and services. Uncoordinated allocation of scarce resources and lack of proper operation and maintenance of existing facilities further aggravate the situation. External factors, such as calamities, political strife, law and order situation, have also been constant threats to the cities' development. The problems and issues identified in the city workshops are in fact so extensive and serious that a sense of resignation prevails among many people across society, particularly since there is no adequate mechanism to allow them, especially the poor and vulnerable people, to express their concerns and participate in the processes of planning, implementation and decision-making.

The administrative framework to manage the urban areas is extremely fragmented. This is particularly evident in Dhaka. Highly centralized but uncoordinated functions among urban sub-sector agencies make it difficult for mayors to address the needs of city dwellers. Qualified human resource is scarce and not

properly allocated. Equipment and software to support effective management are far from adequate. The current city/municipal budget can hardly cover development projects, thus they rely heavily on overseas development agencies and central government fund transfers. Because of these, Dhaka and Khulna are unable to formulate and own any effective corporate plans.

Overview of the CDS Exercise

The CDS was introduced under the above circumstances. It did not come as a surprise then when the objective and intentions of the CDS were not fully appreciated especially by Dhaka, a mega city whose urban problems and complex management institutions are more serious than those of Khulna. Despite the initial difficulties though, there has been considerable progress in the study itself conducted between February 1999 and June 2000, as well as in the ownership of the CDS. Some marked differences among the three city workshops are in terms of the composition of participants, interaction during discussions among participants and commitment of mayors and other key stakeholders to the CDS.

In the CDS study process, the following observations were made which would allow the cities to further develop their own CDS:

- The people's willingness, including the poor, to participate in the process of urban development is strong, but they had hardly

been given proper opportunities. The will of the elected mayors to coordinate is also strong. Sub-sector agencies recognize the need for coordination, too. Positive motivation of key players in urban development exists, and there are a number of successful undertakings in sub-sector development by NGOs, the private sector and communities themselves. The initial success of the CDS is largely attributed to the fact that the people or a wider spectrum of stakeholders was placed in the center of the process, which was completely missing in the past.

- There are existing institutional mechanisms that can be mobilized to facilitate coordination and better management of urban issues. Dhaka has a Coordination Committee (DCC) established in 1996, which is co-convened by the mayor of DCC and an additional coordination board known as the Greater Dhaka Transport Planning and Coordination Board (GDTPCB) established for the urban transport sector with the Bank's assistance. For Khulna, coordination alone between the two core agencies, KCC and KDA, would considerably facilitate the effective management of the urban sector. This proves that basic institutional framework for better coordination exists, which have not been fully tapped. The current ward system can also be used to further decentralize urban management and administration at local level to directly address local issues involving communities. The DCC and KCC are composed of 100 and 31 wards,

respectively, each represented by an elected ward commissioner.

- Whereas the willingness and basic institutions for coordination exist, the capacity to enhance and manage the available mechanism and maximize the opportunities is limited. The capacity of planning cells of core agencies, such as DCC and RAJUK (Metropolitan Development Authority) in Dhaka and KCC and KDA in Khulna, are severely constrained by lack of expertise, support facilities and, especially, the motivation to exercise their duties, largely due to the absence of political commitment and institutional incentives.

Toward the Next Phase of the CDS

Although the commitment of the mayors and the willingness of stakeholders to participate are more important, they are but preconditions to an improved urban management. The momentum gained from this short exercise is only the first step to develop a truly needed CDS for Dhaka and Khulna. The consultants' view on the next steps includes the following:

- The CDS should be provided with a more solid institutional basis to make it function as a core of urban planning and management. Without institutionalization, the participatory process, which has to be shared by all stakeholders, will not be guaranteed, and the process may be distorted by excessive political intervention. It should be clear that the owner of the CDS is the

people, city authorities are the facilitators and the mayors are the moderators.

- Aside from the DCC and KCC, other pourashavas (municipalities) that are key players in the metropolitan areas should own the CDS too for the elected leaders to be accountable and responsible for their people. Effective networking between the mother CDS and satellite CDS is the prerequisite.
- The first step for the CDS to be successful is to identify urban development issues and develop visions, sub-sector objectives and strategies through a participatory process in a holistic manner. The second step involves defining and translating the strategies into concrete projects and actions without losing its totality. This step requires much more expertise, resources, participation of stakeholders and the capability to manage the process. The third step is the implementation and monitoring of projects and actions. These processes require transparency and accountability.
- Although establishing the whole process of the CDS is still a long way before it is completed, a number of key issues were identified through the CDS exercise which can be commonly applied on the implementation of the identified strategies. These include: (1) institutionalization of the CDS process, (2) establishing a core

planning cell to promote and develop the CDS and strengthen the interagency networking, (3) providing immediate attention to improve the municipal financial system and its capacity (4) promoting institutional reform to amend various distortions in the market and to establishing an improved framework to encourage private sector participation in urban development and management, and (5) leveraging the experiences and capabilities of NGOs and community based organizations (CBOs).

Role of Donors

In view of the complexity of the tasks facing Dhaka and Khulna, donors are expected to play an extensive role in helping the cities. These, among others, include:

- Making a long-term commitment to provide support to improve and strengthen the CDS through a human resource development program, modernization of facilities and technology transfer,
- Helping Dhaka and Khulna improve institutional linkages and policy implication with the national framework to obtain more autonomy over urban sector management.
- Strengthening the coordination among donors, particularly in sharing strategies on institutional development aspects.

3. CDS Progress Report for Dhaka (Bangladesh)

Key Statistics and Characteristics of City:

Dhaka is the capital of Bangladesh, and also its largest city. The population of Dhaka City Corporation (DCC) is 6.9 million and that of metropolitan area is 9.1 million, as of 1995. The respective areas are 360 sq. km. and 1528 sq. km. The share of Dhaka metropolitan area's population to the overall national urban population was 30 per cent and to that of the country was around 5.8 per cent in 1991. The population of Metropolitan Dhaka is expected to reach 16 million by 2015. The gross population densities are very high, particularly within the city corporation area, at about 170 persons/ha. Besides being the administrative capital, Dhaka is also the largest city of Bangladesh, and its social, cultural, economic and commercial capital. In terms of administration, management and development, around 19 ministries and 40 government organizations are involved in the planning and development of Dhaka.

Major Issues

- Burgeoning numbers of urban poor, evidenced by increasing slums and squatter settlements.
- Limited availability of flood-free, serviced land and an institutional and regulatory regime that discourages proper land development, leading to high land prices, untenable levels of densification and haphazard growth.
- Low quality of existing infrastructure services and large backlogs, leading to poor livability and reduced competitiveness.
- Serious transport congestion leading to huge delays, lack of any form of mass transit,

poor access to women and high environmental pollution.

- High degree of unemployment and under-employment
- Increasing environmental degradation, with high levels of air and water pollution.
- Absence of sufficient parks, open spaces and other recreational areas.
- Vulnerability to frequent flooding leading to loss of life, property and economic productivity.
- Poor health care facilities.
- High incidence of violence and crime, with poor women rendered particularly vulnerable.
- Lack of sufficient opportunities for skill upgradation and social capital development.
- Serious governance crisis with weak leadership, high degree of political volatility, very weak institutional and financial capacities, fragmented and overlapping institutional mandates, lack of accountability and corruption and low level of skilled staff.

CDS Process in Dhaka

CDS for Dhaka commenced in February, 1999 and completed in June 2000. During this period a groups of consultants worked in close coordination with the officials of DCC and representatives of other agencies such as the Capital Development Authority (RAJUK). The focus of the process has been on assessing keys issues and constraints, developing a vision and identifying strategies and programs to realize

that vision by involving a wide range of stakeholders. The problems of Dhaka are huge and cannot be addressed overnight. But the objective of the CDS process was provide the much-needed initial framework for the comprehensive urban development and management agenda for greater Dhaka, developed through a consultative process.

Despite initial problems of commitment, there has been considerable progress in the Study during this period. Notably, there has been greater ownership from DCC over a period of time, and this has provided a lot of thrust to the work; there has been an increasing realization on the value of the CDS process, the need for strategic planning, and institutional and governance reforms. The merits of public consultation and participation have found greater appreciation, as evidenced by the success of the stakeholder workshops, particularly towards the final stages of the CDS formulation.

Linkage with Bank Operations

World Bank is currently involved in two large-scale investment projects in Dhaka; they are the Dhaka Urban Transport Project (DUTP) and Fourth Dhaka Water Supply Project (DWASA IV). DUTP is expected to address some of the most critical infrastructure improvements, improve traffic planning and management capacities of key agencies such as the city corporation, RAJUK, metropolitan police, strengthen policy environment and institutional coordination through the creation and strengthening of Greater Dhaka Transport Planning and Coordination Board, support efforts to improve air quality and address some of the specific transport needs of marginal groups like pedestrians and women garment workers. The water supply project aims to better the efficiency and management capacity of Dhaka Water Supply Authority, improve quality of existing services and extend coverage.

Besides this, a small pilot project to improve air quality within Dhaka is also currently active.

CDS process has sought synergies with these as well as other projects by putting in perspective the development objectives of these projects within the overall context of urban development and management of Dhaka, and by working closely with the agencies and specific teams that are involved in these projects. The metro-wide planning and coordination body, GDTPCB, set up under DUTP is expected to function as a pilot model for strategic planning and inter-agency coordination for greater Dhaka. The institutional strengthening components under DUTP will take into account the recommendations proposed under CDS with regard to institutional capacities. Future World Bank involvement in Dhaka will be contingent on a demonstration of sustained ownership and commitment to improve governance and reform institutional and financial management. Key areas where Bank will explore opportunities to work with stakeholders in Dhaka are improving governance, addressing urban poverty issues and reducing flood vulnerability of the city. This could be potentially through a series of strategic studies, technical assistance and investment projects, undertaken in close coordination with other development agencies.

Follow Up Activities

In response to the lack of inter-agency coordination highlighted in the CDS study, the Coordination Committee set up in 1996 to coordinate between various agencies and ministries involved in Greater Dhaka area, is expected to be reactivated. However, the reactivation of the Coordination Committee is only an initial step to resolve inter-agency coordination. There is a need to clearly spell out concrete mechanisms for the successful functioning of this Committee, and also complement the working of this high-level

Committee with other suitable working level mechanisms. Any long-term solution to this highly complex issue will require fundamental reforms in the current policy environment and institutional architecture. This will require further detailed studies with greater degree of ownership and commitment from DCC, other pourashavas within Metropolitan Dhaka and the central government. It will also require improved capacities within existing institutions to undertake any. In this context, the Mayor of Dhaka has requested the Bank's continued advice, engagement and assistance to address the deep-rooted governance and institutional problems associated with managing Dhaka.

The City Assistance Program for Dhaka has identified a prioritized list of programs, projects and other actions that are critical to the urban development and management of Dhaka. DCC intends to convene a donor round-table meeting to discuss with various donors the recommendations of the CDS study. It will seek the support of the donors for strengthening institutional capacities, addressing service

backlogs and urban poverty. The Mayor has requested World Bank support in convening such a donor round-table. CDS has provided a climate of trust, cooperation and coordination between some of the key agencies involved in Dhaka. It has also provided the much-needed initial framework for a comprehensive urban development and management agenda for greater Dhaka. It is important to capitalize on this by engaging DCC, Rajuk and other key institutions, supporting CDS process and assisting institutional reforms. It is important for the Bank, as well as other donors, to engage the various institutions that are involved in governance, urban management and service provision in Dhaka, on a long-term basis for sustainable results. In the immediate, dialog and assistance to improve the planning and management capacity of DCC and Rajuk should be considered in the context of on-going projects. However, this will have followed up by more in-depth and comprehensive programmatic action to frame a reform agenda.

4. CDS Progress Report for Khulna (Bangladesh)

Name of the city: Khulna

Key Statistics and Characteristics of City

Khulna is the third largest city of Bangladesh, and can be called in some ways, as the regional capital of the south-western part of the country. Khulna metropolitan area covers 267 sq. km., with a population of 0.92 million in 1991. The area covered by the Khulna City Corporation (KCC) is around 46 sq. km., and it had a population of 0.66 million in 1991. The current population levels are estimated around 1.4 million for the metropolitan area and 0.86 for the area within KCC. The share of KCC's population relative to that of the metropolitan population has been reducing over years, a trend expected to continue in the coming years too. Administratively, Khulna is governed, developed and managed primarily by two urban agencies - the Khulna City Corporation and the Khulna Development Authority (KDA). KCC is the elected urban government, providing basic urban services in areas such as water supply, sanitation, building and maintenance of selected roads, maintenance of public safety, street lights, and so forth to city dwellers within its jurisdiction. KDA plans, controls and coordinates the development of metropolitan Khulna region, and in that sense, it serves an area much larger than that of KCC. While KCC works as an agency of the Ministry of Local Government, KDA works under the Ministry of Housing and Public Works.

Khulna is strategically located in the south-western part of Bangladesh. Historically, Khulna has been the dominant regional industrial city

with a large number of jute and other heavy manufacturing industries. It also serves as the regional gateway to trade with India on the west. The port of Mongla and the world famous Sundarbans mangrove forests lie to its south. Academic institutions such as the Khulna University (KU), Bangladesh Institute of Technology (BIT) and the Khulna Medical College (KMC) located in Khulna serve as key regional institutions of higher learning.

Major Issues

Chief urban developmental issues of Khulna identified under the CDS and underscored during the stakeholder workshops were: (a) declining economic growth in the region (b) infrastructure backlogs, particularly water supply at the city level and strategic infrastructure such as bypass roads and bridges, at the regional level; (c) increasing urban poverty; (d) service deficiencies in areas such as solid waste management and drainage; (e) emerging social problems such as increasing drug use, crime and violence. While serious problems exist in institutional and financial capacities of key municipal agencies, and in matters of inter-agency coordination between the various key agencies, the magnitude and complexity of these are certainly not mammoth as in the case of Dhaka, and the opportunities in the short-term to address these are many.

CDS Process

From very early stages, Khulna, led by its Mayor, had demonstrated good deal of enthusiasm and commitment during the CDS process. CDS process was able to successfully

bring together a number of diverse actors that have a role in the comprehensive urban development and management of greater Khulna, through a process of consensus building. The manner of cooperation and coordination among various agencies in the organization of the key stakeholder workshops and the wide range of participants at the workshops, cutting across gender and party affiliations, were a testimony to this sense of ownership. In particular, three key institutions associated with Khulna, namely KCC, KDA and KU have been working closely with each other, as well as with the consultant team, to formulate the CDS and the City Assistance Program. The key points emerging from the overall process, discussions with individual agencies and various stakeholder workshops, were: (a) the general climate of consensus, with the Mayor taking lead, on developmental issues of Khulna; (b) a willingness to undertake institutional, financial and governance reforms; and (c) a fair degree of emphasis on civil society participation. These three aspects of the CDS process were highly encouraging, but needs to be followed up and built up on for long-term results.

Follow up

The CDS study, as well as the critical final stakeholder workshop have identified several follow up measures to the CDS Study; these include:

- (a) commitment to the CDS process from within the city and putting in place mechanisms to institutionalize it;
- (b) proposals for improving governance and institutional coordination. In this regard, a coordination committee will be constituted by the Mayor for ensuring institutional coordination. Chief Engineer, KCC will submit a proposal outlining the details of such a committee, including its day-to-day working

arrangements, to the Bank and other stakeholders. KCC will also prepare an institutional capacity building program for itself. It will also seek to work with agencies like Khulna University to ensure synergies and to tap into the relative strengths of these agencies.

- (c) decision to convene a donor round-table meeting, organized by KCC, to discuss the recommendations of the CDS study and seek ways forward. It will seek the support of the donors for enhancing economic growth, strengthening institutional capacities, improving strategic infrastructure, addressing service backlogs and urban poverty. The Mayor has requested Bank support in convening such a donor round-table.

Linkages to Bank operations

Major ongoing studies and programs by donors include a JICA feasibility study for Roopsha bridge, urban poverty alleviation program supported by UNDP-UNCHS, and an urban basic services program assisted by UNICEF. World Bank is currently involved in Khulna through the recently effective Municipal Services Project; within the context of this project investments will be made for rehabilitation of existing water supply system and for undertaking a feasibility study to identify future sources for water supply. Other potential investments will also be considered by the Municipal Development Fund that will be set up under the project, conditional to the city undertaking key institutional and financial reforms for strengthening its urban management capacities.

In view of the strong ownership demonstrated by Khulna during the CDS process and based on the findings of the Study, it is possible that the city will be supported in its efforts to improve its governance and institutional coordination mechanisms, and strengthen its planning,

institutional and financial capacities. Besides this, support for addressing some of the most pressing urban issues, such as increasing urban poverty and critical service deficiencies in water supply, sanitation, solid waste management and drainage, is also being potentially considered by the Bank.

5. The State Of The City CDS Report Ahmedabad (Gujarat, India)

Key Statistics:

Gujarat is second most highly urbanized State in India and Ahmadabad is its largest city, followed by Surat.

Characteristics of the City: Population:

3.5 million; its economic base is mainly business and industry.

Major Issues:

Issues, objectives, and strategies were developed for each of the urban services, plus in areas such as governance, economy, city safety and security, public health, social development, enlightenment, arts and culture, finance, and enlightenment.

CDS Process:

The Ahmadabad Municipal Corporation (AMC) and the Ahmadabad Urban Development Authority have managed this City Development Strategy (CDS) with the assistance of the World Bank and AusAID. The initial workshop was conducted on July 27-28, 1999. There were a number of follow-up meetings held on 21, 22 and 25 January 2000. Altogether some 160 politicians, private citizens, representatives of NGOs and business and civil servants were involved in the work of preparing the CDS.

CDS proceeded by Urban Land Management Sector Study conducted in 1998, involving AMC and Surat Municipal Corporation.

Analysis of municipal finances were also undertaken in 1998 as part of the municipal bond issuance, with support from USAID.

Importance of CDS:

The CDS was used as a tool for city-wide development and multi-year investment planning as well as a tool for institutional reform and capacity building.

Linkage with Bank Operation:

This CDS exercise is part of the preparatory activities for the proposed Gujarat Municipal Strengthening and Urban Infrastructure Development Project

Key Stakeholders:

Altogether some 160 politicians, private citizens, representatives of NGOs and business and civil servants were involved in the work of preparing the CDS.

Progress:

The vision statement and analytical studies have been completed with assistance from the Cities Alliance and AusAID

Lessons Learned:

The model used, which built was built based on the Coimbatore CDS, is expected to be used for other cities in the State of Gujarat.

Follow up action: Depending on the availability of resources, the Strategic Plan will be completed and the City Investment Plan (CIP) will be prepared.

6. The State of the City CDS Report Bangalore (Karnataka, India)

Background and Approach

In June 1999, the preparation of a City Development Strategy (CDS) for Bangalore was initiated with seed money from UNCHS. The World Bank financed some analytical work, including a spatial analysis of the city. With further assistance from AUSAID, a stakeholder group meeting was held in July during which a formal commitment was made by political and civil leaders of Bangalore to engage in a participatory process of developing a strategy for the improvement of life in Bangalore. Subsequently, a diverse group of stakeholders met to undertake a "visioning" exercise with a view to describing what their image of a future well-functioning city entailed. An agreed vision of the city was reached with all groups, committing themselves to working together to achieving higher economic growth for the city and provision of infrastructure and social services that would make the city more attractive to investors. The single most important issue that all concerned could agree on as their most tormenting problem was Municipal Solid Waste Management (MSWM).

In September 1999, the CDS process went into a hiatus as Karnataka prepared for State elections. A new government came into power with a very strong pro-urban policy, which saw committed leaders installed at both the technical and political levels within the GOK and the Bangalore City Council. The Public Affairs Committee conducted a poll of Bangalore

citizens on the state of their city. The mounting dissatisfaction of the population prompted the new Chief Minister, concerned that the city should not lose its competitive position in attracting investment, to form the Bangalore Agenda Task Force (BATF). The Task Force has created a new partnership in which local businesses, many of which are large and key players in the IT industry, joined hands with several State level service providers, the Bangalore City Corporation (BCC) and civil society in an effort to work in partnership to develop Bangalore into a more livable, competitive and financially viable city. Organizations included in the exercise are the Bangalore Metropolitan Regional Development Agency, the Bangalore Water Supply and Sanitation Board, the Karnataka Slum Clearance Board, the Bangalore Development Agency. The BATF has held various consultative meetings with citizens of the city and has drawn up a short-term plan for implementation by June 2000. Activities under the short-term plan include improvements to road surfaces, rehabilitation of sidewalks, and improved collection of solid waste. Efforts are underway to prepare a long-term plan for implementation by June 2004.

The Bank has offered to solicit further technical assistance from the Cities Alliance¹ (CA) to

¹ The Cities Alliance (CA) is a global initiative formed by a number of bilateral and multilateral development agencies dedicated to the improvement of life in cities around the world. The CA mobilizes grant funds in support of the

support this long term planning process. It has more specifically agreed to provide direct technical assistance to BCC in the preparation of a MSWM strategy, the primary "felt need" arising out of the visioning exercise. Resources for this latter task are contained within the Project Preparation Fund provided in support of the Karnataka Water and Urban Management Project (KWUMP), managed by the Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC). AusAID has also pledged further support to the Bangalore CDS.

Progress to Date

During a June 2000 mission the Bank reviewed the program of work being undertaken by the Bangalore Agenda Task Force, established in November 1999 with a view to making Bangalore the "best city in India by 2004." BATF wants to upgrade the managerial and administrative capabilities of civic and administrative stakeholders (seven service providing institutions), enable the provision of citizen oriented, high quality public services and augment financial resources of stakeholders to enable them to perform at "world-class" levels. BATF has essentially engaged in a homegrown CDS process. All financial resources provided to date, amounting to Rs25 crores, have come from private sector entities contributing to a trust fund. A process of short- and long-term planning is underway which is regularly reviewed at six-month intervals.

Bangalore City Corporation's current task under BATF, in addition to the MSWM referred to above, is to introduce "Fund" based accounting and a digital urban management program (DIMAP) based on GIS geared initially to

revamping the property tax system. During the mission, BCC submitted a request to Urban Development Department (UDD) for access to \$2.5 million under the TA Loan for Economic Reform to take their piloted GIS system to scale across the city.

The mission was of the view that since the CDS process is now well-launched with political support from the highest level, the Bank's further contribution (through the Cities Alliance) would be to assist with preparing aspects of a slum-upgrading program, one of the action items on BCC's agenda under BATF. A review meeting of the BATF will occur on July 22, following which BCC will advise the Bank on its proposals for slum upgrading with a view to submitting a formal proposal to the Cities Alliance by September 15, 2000.

Planned Actions related to the CDS process in Bangalore from July 1 - December 30, 2000

• June 2000	• BCC to submit application to KUIDFC for KWUMP PPF to obtain TA for SWM action plan.
• June 2000	• BCC to submit application for funding for GIS to Secretary UDD for onward submission to Department of Economic Affairs (DEA) for approval.
• July 22, 2000	• BATF holds summit meeting to review achievements to date and future plans
• September 2000	• Application to CA submitted for funds to support Bangalore CDS/BATF
• December 2000	• Obtain approval for funds from CA and AUSAID
	• BATF holds review/progress meeting

preparation of City Development Strategies and the scaling up of slum upgrading efforts, in a bid to promote "cities without slums". The secretariat for the CA is provided by the World Bank

Conclusion

There have been strong expressions of ownership and support from the Bangalore City Corporation of their own brand of the CDS process. Most of the efforts of the BATF and the success of their attempts to improve the functioning of the city in the short term while they garner more public support for the

attainment of the long term vision of the city have all been carried out under their own initiatives and energy. All decisions on what to do, how to do it, experimentation with ideas, and implementation of the short term development plans have been made and carried out by the Bangalore side of the CDS Team.

7. The State of the City CDS Report

Coimbatore and Tiruppur (Tamil Nadu, India)

Tamil Nadu--one of the most urbanized States in India--is undertaking a CDS mainstreaming initiative as an integral part of a comprehensive approach to urban development. Under this initiative fifty city development strategies² (CDS) as part of the World Bank Second Tamil Nadu Urban Development Project (TNUDP II) are expected to be prepared.

Name of the State:

50 cities in Tamil Nadu, INDIA

Key Statistics:

According to the 1991 census, in India about one fourth (1/4-25 per cent) constitute the urban population; one third (1/3-33 per cent) live in 23 metropolitan cities; and it is projected that by 2025 one half (1/2-50 per cent) of the population will be urban.

Tamil Nadu the sixth largest populated and the third most urbanized states³ in India with one third of its population living in urban areas. With the inclusion of over 600 Town Panchayats⁴, described as transitory areas the urban population has reached nearly 40 per cent of the total.

Tamil Nadu has 6 Municipal Corporations (Chennai, Madurai, Coimbatore, Salem, Tirunelveli, Tiruchirappalli), 102 municipalities and 636 town panchayats. Sixty percent of the urban population live in towns with more than 100,000 inhabitants⁵; and about 15 per cent in the single metropolitan city of Chennai.

Characteristics of Tamil Nadu:

Tamil Nadu is the front runner of the urban sector reform and decentralization program in India. Tamil Nadu urban sector plays an important role in economic and social development in the State. However, it has a huge backlog of urban infrastructure investment. Urban poor constitute 25 per cent of the population. In terms of basic infrastructure: water supplies vary from 34 lpcd in Town Panchayats to 74 lpcd in Corporations which is significantly below the norm⁶ and the access to safe sanitation is limited⁷. Although 70 per cent of solid waste generated is collected, most local bodies do not have organized disposal facilities, and less than 50 per cent of the roads are provided with storm water drains

² Called City Corporate Plans (CCPs) in TNUDP II.

³ After Maharashtra and Gujarat

⁴ Inclusion due to the 74th Constitutional Amendment under the Municipalities Act of 1994

⁵ Class I Towns.

⁶ The minimum water supply established by the norm is 70 lpcd for Town Panchayats and 110 lpcd for Corporations.

⁷ Only 57 per cent of population in Corporation areas, 32 per cent in Municipalities and 16 per cent in Town Panchayats have access to safe sanitation.

Major Issues:

Tamil Nadu has delivered two CDS so far, i.e., Coimbatore and Tirupur. They are most committed and capable cities. The capacity and level of commitment among 50 cities are different. It is critical to adjust CDS process to each city, taking into account their local needs and capacity level. The local consultants that have limited knowledge and capacity for CDS preparation should also be strengthened.

CDS Process:

Tamil Nadu --one of the most urbanized States in India-- is undertaking a CDS mainstreaming initiative as an integral part of a comprehensive approach to urban development. Under this initiative fifty city development strategies (CDS) as part of the World Bank TNUDP II project are expected to be prepared.

Under this initiative the State Government of Tamil Nadu --through the Municipal Administration and Water Supply Department-- issued on October 6, 1999 a Government Order for the Preparation of City Corporate Plans (CDS). This Government Order provides guidance to municipalities on plan preparation and provides an indicative list of 50 participating municipalities. The technical assistance for preparation of CDS is being provided under the institutional development component of the Bank loan. The technical assistance for preparation of Coimbatore CDS was financed with a USAID grant.

Importance of CDS:

CDS are a very powerful instrument under a decentralized scenario, because they further promote decentralization; allow ULBs, key stakeholders--councils, citizens, private sectors, NGOs, and media identify project

investments priorities; ensure transparent and rational investment decisions; and lead to less corruption.

CDS are also a very important tool for institutional strengthening and development because they address governance and management issues and identify areas that require capacity building and institutional development. In the case of Tamil Nadu CDS provide training and technical assistance to ULBs for identified areas based on demand driven principles.

Linkage with Bank Operations:

CDS - TNUDF Linkage STRATEGY-PLAN-INVESTMENT-FINANCE

The CDSs are an integral part of a comprehensive approach to urban development built upon a strong policy based and commitment to reform in Tamil Nadu. The World Bank is providing an estimated US\$80 million line of credit for urban investment through the Tamil Nadu Urban Development Fund (TNUDF). Once the municipalities identify priority investment programs as a part of a CDS process, they can submit the loan applications to TNUDF. TNUDF appraises their applications and extends loans in accordance with pre-determined lending criteria. Coimbatore Corporation is currently implementing a major sewerage scheme of about US\$10 million with the financial support of TNUDF. This sewerage scheme is one of the highest priority investment programs identified through CDS. TNUDF also assists ULB identify and develop projects through a Grant Fund window designed to directly benefit the poor. Under the described mechanism ULBs can immediately implement high priority projects identified by CDS.

To facilitate ULB's in developing and utilizing the CDS's, the TNUDP II Project Management

Unit, (the training and capacity building arm of the project), functioning under the Commissionerate of Municipal Administration has in a years time trained over 440 municipal functionaries in basics of CDS. A key impact of the training is the exposure and willingness of key officials in coming up with decisions to strengthen local administration and service delivery. As an outcome of this training, local officials have taken a decision to enhance fee for provision of select services. Excerpts of the presentation made by a group of elected representatives on municipal governance issues as part of training on City Corporate Planning (CDS) is presented in Box 1. As part of the process of improving the content and structure of the training, its application in preparation of CDSs as well as in identifying potential trainers among trainees, PMU has proposed a roundtable in June 2000 and would continue to hold periodic discussions to strengthen the process.

Program	Local Bodies Covered	Personnel Trained
1. Orientation workshop for Town Planning Officers	102	140
2. Orientation workshop for Urban Planners	64	94
3. Orientation workshop for Municipal Commissioners	102	123
4. Orientation workshop for Elected Representatives	64	83
5. Orientation workshop for Municipal Engineers	In progress	

Source : PMU, TNUDP

Note: Urban Local Bodies in Tamil Nadu - 108

All programs include participants from state level administrative agencies.

Key Stakeholders:

As in any other single CDS the participation of the public and private sector representatives and the civil society in general is key to obtain the stakeholders participation and subsequent ownership.

In the case of Tamil Nadu and from the perspective of the comprehensive approach for urban development, other key stakeholders included the Indian private sector in the financing part of the identified projects. UNCHS-Habitat in collaboration with the World Bank is providing technical assistance to develop the institutional capacity of municipalities to develop and monitor performance indicators for the implementation of the CDSs; and USAID providing technical

Box 1. Key Outcomes of the Training Program

1. Ensure transparent administration.
2. Empower local body to engage staff based on its fiscal capacity.
3. State to direct district administration, state level agencies and other service agencies such as telephones, to review the resolutions of local council.
4. Reduce monthly state level meetings of commissioners as this forces them to stay away for 3 days a week resulting in delay in decisions.
5. Commissioner and Chairman should manage affairs and not just the commissioner.
6. Introduce an enhanced fee of Rs.100 for immediate issue of birth and death certificate.
7. Resources transferred from the state should not specify the use but let the municipality allocate the same based on needs.
8. City council to be empowered to initiate action on errant officials.
9. Training program venues should be spread all over the state than being in Chennai.
10. Reduce program for elected representatives from 5 to 3 days.

assistance to develop the CDS of Coimbatore and Tirupur.

Progress:

The final reports of the CDSs for the pilot cities of Coimbatore and Tirupur have been already completed and approved by the Municipal Corporation Councils.

Tamil Nadu State Government will publish annually the progress and performance of the

CDS of each municipality through public media. This transparent approach provides positive incentive for the municipalities to implement the CDS properly, leading to improved governance of municipalities. Coimbatore Corporation and Tirupur Municipality initiated the CDS process in November 1998 and obtained the approval of the elected council in October and November 1999 respectively. Coimbatore and Tiruppur could incorporate only part programs identified as part of the CDS of 1999-00, as the budget for the year was prepared in November 1997 and approved in March 1998. Despite non-inclusion of components as planned, the local bodies have used the outlay and project identified as part of CDS as part of their budget. For example, in Tiruppur roadwork's were to commence from year three, but for operational reasons few of the third year road programs were included in the first year's plan. Similarly the local body has shifted investments in solid wastes by a year. Coimbatore Corporation like Tiruppur, had to adjust its capital program of the first year but has resolved to adopt the CDS outlays part of the budget for the year 2000-01. Coimbatore as part of the first years CDS had identified sewer investments as a major program, but had to defer it to the subsequent year due to delay in procurement.

On the management front, Coimbatore, as indicated in the CDS has commenced work in strengthening information systems and most functions are being computerized. Support for computerization is from the lending window of the project viz. TNUDF and capacity building support is being provided partly by the TNUDP, the training arm of the project. The commitment of the corporation in upgrading information systems and services is reflected by the fact beginning from year 2000-01, citizens can file their property tax assessment, and get a feel of the revised tax by using the form available in the Corporation's Web site. The Corporation is exploring the possibility of providing other

services through the net. As proposed in the CDS, two commercial complexes on receipt of clearance of the government on land reclassification will be developed on a commercial basis (BOT). The Corporation has proposed privatization of waste collection in 12 wards, and issued an advertisement for setting up of a compost plant to convert wastes on a BOT.

A major CDS outcome in Tiruppur is related to the water operations. Tiruppur had resolved to co-ordinate investment in roads (& drains) and water distribution with the Plans of the private sector supported water supply project. Tiruppur had also resolved to formulate an operations and maintenance (O&M) plan to strengthen the water operations. In this regard, the municipality using the opportunity in formulation of a transition plan, a requirement under the private water project, identified areas of strengthening O&M practices and operational management improvements. The proposed water supply project would provide training and skill transfer support. Given the upgradation requirements of its systems and the manpower needs to implement the transition plan, the municipality will decide on privatizing select functions. In terms of improved governance, especially with regard to computerization, TNUDP is supporting the municipality (all municipalities in the state) in computerizing accounts, personnel, and revenue management functions. Preparation of a Transition Plan was funded out of the Grant Fund being managed by TNUDF.

On the revenue front, the collection performances of taxes have improved and state transfers have been substantial. A major agreement as part of the CDS was in terms of revision to water charges. Tiruppur has raised the water tariff by 20 per cent and has agreed to set its rate as per the contractual obligations of the private sector project⁸. Coimbatore has

⁸ A base price plus annual increments, to be notified by the water company.

deferred water tariff revision to the year 2000-01.

As can be seen from analysis of variance in finances of Coimbatore, revenue income and both revenue and capital expenditures have increased as against the CCP estimates. Despite deferment of tariff revision, the overall revenues of the local bodies increased largely due to improved collection performance and increased devolution from the state. The increase in revenue expenditures of Coimbatore is due to repayment of annuities and increase in capital expenditures despite the deferment of borrowings for sewerage project is due to enhanced road related works and investment in solid waste management. The sewerage project would commence in the year 2000-01. The local body has initiated a detailed performance appraisal, which would be an annual feature and would form an input to the proposed observatory to be established within the office of the DMA.

Comparative Analysis of Finances of Coimbatore Corporation

Heads	As per CCP	Actuals	Variance
	<i>Rs in Lakhs</i>		
Revenue Receipts	9,847.6	13,557.2	37.7 %
Capital Receipts	3,311.1	1,908.0	-42.4 %
Revenue Expenditure	8,439.0	10,410.6	23.4 %
Capital Expenditure	3,197.0	4,433.7	38.7 %
Overall Status	1,759.42	620.98	-64.7 %
Capital Expenditure Head			
Water Supply	1,140.7	997.3	-12.6 %
Sewerage & Sanitation	892.4	0.0	-100.0 %
Roads & Buildings	234.2	2,070.7	784.3 %
Storm Water Drains	285.5	331.3	16.0 %
Street Lighting	372.0	500.0	34.4 %
Solid Waste Management	35.4	534.3	1,408.5 %
Total	2,960.2	4,433.6	49.8 %

Note Excludes opening balances, deposit and advance accounts. Roads and buildings include investment in educational buildings and general services.

A major issue that confronts both (most) local bodies is the multiplicity of agencies in urban management. This is a key review theme in most training programs and it is expected that the outcomes of CDS would lead to better interaction between agencies in delivery of services.

Lessons Learned:

Ownership of CDS is key for the success. Tamil Nadu Government is implementing CDS, using the proceeds of the Bank loan in stead of the Grant Fund for most of other CDS cities. This indicates the strong ownership of the Government.

CDS becomes a powerful instrument when it is a part of comprehensive urban sector reform program.

Mainstreaming CDS at a state level can enhance innovation and competition among cities. In Tamil Nadu the CDS performance of each city will be published, not only at the local level but also for the whole state, creating pressure from the citizens and enhancing competition for better performance.

The mainstreaming of CDS is a valid instrument for scaling up and replication of this type of activities, however, these initiatives in order to succeed should be built upon a strong policy base and commitment to reform, and based on a participatory approach and a demand driven process.

The linkage between the long term strategy and most immediate plans and actions resulting of the CDS, require a direct link for financing the high priority investments as well as other key activities, in order to validate the exercise and translate into reality the strategy, plans and actual projects.

CDS contributes considerably to the improvement of city governance and management. For this purpose, public disclosure of CDS objectives and its progress are important.

Follow up of CDS:

In order to monitor the progress and performance of the CDS, the municipalities will adopt a set of

performance indicators. UNCHS-Habitat in collaboration with the World Bank is providing the technical assistance to develop the institutional capacity of municipalities to develop and monitor these performance indicators. The mainstreaming CDS approach will be presented and shared in urban related events in order to inspire other cities or states.

8. The State of the City CDS Report Kathmandu (Nepal)

Key Statistics

Please refer to Annex B "Kathmandu City Profile"

City Characteristics and Opportunities Present

- Because the city is the historical and cultural center of Nepal it has many monuments and a rich culture which is an asset for promoting tourism. Kathmandu Valley has 7 World Heritage Sites listed by UNESCO.
- As Kathmandu is the primate city of Nepal and the center of political, economic, social and cultural activities in the country; it offers the best facilities in the country in terms of health care, education, communication and entertainment.
- The strategic location of the city in the middle of South Asia, with favorable climate, relatively stable political environment and excellent telecommunication system allows it to be the center for regional activities such as conferences, sports and other events. Several major regional institutions, such as SAARC Secretariat, are already located in Kathmandu.
- As the city is still relatively small, many of the current problems can be addressed with some effort.

- The limited natural resources, particularly water, is a major limitation in the future growth of the city. The city is therefore not a suitable site for developing industrial activities.

Major Issues

- The city is growing at an alarming rate of six per cent per year. Planning and managing this growth is a major challenge that has to be addressed.
- Although Kathmandu Valley is one watershed, many government and semi-government institutions are responsible for managing this Valley. It has three districts, five municipalities (KMC is one of them) and almost 100 village development committees. Additionally several ministries (Ministry of Finance, Ministry of Local Development, Ministry of Labor and Transport Management, Ministry of Physical Planning and Works, Ministry of Water Resources, Ministry of Population and Environment, Ministry of Home, Ministry of Social Welfare, etc.) and departments are responsible for providing various urban services. There is therefore a pressing need for organizational reform and institutional coordination. There is also a need to coordinate efforts among donor agencies and NGOs.
- Deficiency in physical infrastructure, particularly in the areas of water supply and transportation, is another major issue.

- Financing of municipal infrastructure and services is a critical issue. Revenues generated by municipalities are insufficient. There is a need to expand the tax base, improve tax collection and explore other financing mechanisms including private sector partnerships.
- The deteriorating environment, particularly air pollution, pollution of rivers and solid waste management need immediate attention.
- Probably the most important issue is the need to reinstate the faith of the people in the municipalities and other related agencies. The people should be able to believe in them and only then they will work with in partnership with the authorities.

CDS Process

The CDS process in Kathmandu will bring together various stakeholders with a view of developing a strategic plan for the city, taking into consideration its issues, constraints and potentials. KMC will take lead in driving the process, coordinating with various other governmental agencies that have a role to play in Kathmandu. In this task KMC will be assisted by a team of specialized consultants. In general, the work plan will be as follows:

- Month 1: Study the current situation and produce an inception report. Identify key stakeholders. Discussions between consultants and KMC to clarify needs, expectations and key issues.
- Month 2: First stakeholder workshop to present the inception report and start the strategic planning process.

Months 2-7: Data collection and analysis, consultative meetings and focus group discussions at various levels to identify issues, constraints and potentials, and development of CDS.

Month 7: Second stakeholder workshop to present the draft CDS and receive feed back.

Month 8: Final CDS, CAP and Slum/Squatter Improvement Program.

Importance of CDS

Recently, KMC and the city in general has been going through a lot of change. The population and the demand for effective and efficient urban services is growing rapidly and the government has just enacted the Local Self Governance Act, which gives additional responsibilities to KMC. KMC has responded to this by initiating several new programs and making readjustments within its own organization. A technical assistance from the Asian Development Bank (ADB) is looking into organizational development and revenue generation within KMC. Similarly, the Kathmandu Valley Mapping Programme which has just been launched with the support of the European Union (EU) is assisting KMC with urban planning and information management. The challenge for KMC is to plan and manage these changes, develop a strategic vision and prepare a program to realize this vision. The CDS is the ideal vehicle to address this challenge. It will bring all stakeholders together and guide the process of change and development within KMC and assist in coordinating the efforts of all relevant agencies.

Key Stakeholders

- KMC (All departments and ward offices)
- Other 4 Municipalities in the Valley (Lalitpur, Bhaktapur, Kirtipur & Thimi)

- Members of Parliament from Kathmandu (7 from Kathmandu, 3 from Lalitpur and 2 from Bhaktapur)
- Ministry of Local Development
- Ministry of Physical Planning and Works
- Department of Housing & Physical Planning
- Department of Roads
- Department of Transport Management
- Valley Traffic Police
- Nepal Water Supply Corporation
- Kathmandu Valley Development Council
- Ministry of Population & Environment
- Tourism industry (as represented by Nepal Tourism Board, Hotel Association Nepal, Nepal Association of Travel Agents)
- Private sector (as represented by Federation of Nepalese Chamber of Commerce and Industries, and Nepal Chamber of Commerce)
- NGOs active in Kathmandu (Nepal Forum for Environmental Journalists, Environment and Public Health Organization, etc.)
- Donor agencies involved in the development of Kathmandu (World Bank, Asian Development Bank, GTZ, JICA, DANIDA)

Progress

The CDS officially started in the beginning of 2000, and by the Fukuoka meeting the inception report and the first workshop are expected to be completed.

9. The State of the City CDS Report Colombo (Sri Lanka)

The National Context

Sri Lanka is a densely populated island nation of 18 million people located off the southeastern tip of India. Sri Lanka is a low-income country with a per capita income of about \$840. Despite the low income and high incidence of poverty, Sri Lanka has a remarkable record on human development indicators. The average annual rate of growth of population is 1.2 percent, as against 1.9 percent for South Asia. Life expectancy at birth is 72 years, infant mortality rate is 16 and literacy is 90 percent. These achievements are remarkable, as, since independence 50 years ago, there have been many ethnic conflicts and political unrest.

The new government, in 1996, instituted a number of reforms that have helped the economy to grow, reduce the fiscal deficit and increase investor confidence. Privatisation has been a major plank of this reform process. Privatisation of tea plantations, telecom, gas, electricity and other enterprises are expected to reduce the fiscal deficit and increase output. This reform policy envisages a level of investment of 30 percent of GDP by the year 2000. With this investment, it is expected that the GDP growth would be 7-8 percent. At this rate of growth, the unemployment level is expected to come down from its current level of 12 percent to 5 percent.

Within the SAARC region, the seven South Asian countries have recently decided to establish a South Asian Free trade area by the year 2005. Sri Lanka is strategically well placed to attract trade-driven foreign investments for the whole South Asian region. With the commitment of the present government on

decentralisation, economic reforms through market friendly policies and privatisation, and efforts to pursue a lasting solution to the ethnic conflicts, it is possible to achieve the economic and development goals. Within this national policy framework, the Colombo City Development Strategy is expected to be an important component. The Colombo Metropolitan region accounts for nearly one-fourth of national population, 44 percent of GDP and 80 percent of industrial establishments. Given the locational advantages of this region, it is expected that most of the future economic growth would also be from this region. A development strategy based on a comprehensive development framework for Colombo would thus be important, not only from the perspective of the local governments, but also in the interest of the national economic and social development policy.

(CITY ASSISTANCE STRATEGY
PROGRAMME FOR COLOMBO, SRI
LANKA: A CONCEPT PAPER)

Cities

The CDS Colombo has included three contiguous Municipal Councils;

Colombo Municipal Council - CMC
Dehiwala-Mt. Lavinia Municipal Council -
DMMC
Sri Jayawardenepura Kotte Municipal Council
- SJKMC

Three municipalities have been identified as 'Colombo Core Area' under UNDP/UNCHS(Habitat) assisted Sustainable Colombo Core Project (SCCP) and World Bank/UNCHS(Habitat) City Development Strategies Programme (CDS).

Key Statistics

Colombo Municipal Council

Level of Local Government	Municipal Council
Extent of Municipal Area	3731 Hectares (37.31 sq.km.)
No. of Municipal Districts	06
No. of Municipal Wards	47
No. of Elected members	53
Population	
Residential Population (1998)	800,000
Floating Population (1998)	400,000
Average Population Density (1998)	278 p/ha
Annual Population Growth Rate (1995)	1.14 per cent
Housing Units	
Permanent Dwelling Units	40,861 – 49 per cent
Slums / Old Settlements	22,358 – 27 per cent
Shanties	20,685 – 24 per cent
Total No. of Units	83,904 – 100 per cent
Infrastructure	
Road Network	480 km
Sewerage Network (covers only 80 per cent of the city)	250 km
Garbage Generation	625 tons per day
Manpower	
Cadre of Employees	12,649
Number in place (1999)	8,900
Budget for 2000 (Amounts in Rupees)	
Total Income	6,195,259,000
Total Expenditure	6,192,261,000
Surplus	2,998,000

Source: 1. City Profile Colombo, Sri Lanka, May 1999, CMC and SEVANATHA
 2. Budget Report, Colombo Municipal Council – Year 2000

Sri Jayawardenepura Kotte Municipal Council

Level of Local Government	Municipal Council
Extent of Municipal Area	1704 Hectares (17.04 sq.km.)
No. of Municipal Districts	01
No. of Municipal Wards	11
No. of Elected members	20
Population	
Residential Population (1999)	134,114
Floating Population (1999 – estimated)	40,000
Average Population Density (1999)	79 p/ha
Annual Population Growth Rate (1995)	1.20 per cent
Housing Units	
Permanent Dwelling Units	19,600 – 80 per cent
Underserved Settlements	4,899 – 20 per cent
Total No. of Units	24,499 – 100 per cent
Infrastructure	
Road Network	90.16 k.m
Sewerage Network	No pipe sewerage system available. Isolated sewerage systems are available at the Parliamentary complex, the Sri Jayawardenapura Hospital.
Garbage Generation	126 tons per day
Manpower	
Cadre of Employees	1,454
Number in place (1999)	884
Budget for 2000 (Amounts in Rupees)	
Total Income	609,487,200
Total Expenditure	609,431,800
Surplus	57,400

Source: 1. Environmental Profile Colombo Core Area, Sri Lanka, December 1997, Resource Development Consultants Ltd, Colombo 03.
 2. Budget Report, Kotte Municipal Council – Year 2000

Dehiwala-Mt. Lavinia Municipal Council

Level of Local Government	Municipal Council
Extent of Municipal Area	2120 Hectares (21.20 sq.km.)
No. of Municipal Districts	02
No. of Municipal Wards	29
No. of Elected members	29
Population	
Residential Population (1998)	2,34,772
Floating Population (1998 - estimated)	100,000
Average Population Density (1998)	110 p/ha
Annual Population Growth Rate (1995)	1.14 per cent
Housing Units	
Permanent Dwelling Units	30,640 – 73 per cent
Semi Permanent Dwelling Units	64,42 – 15 per cent
Slum and Shanties	4,648 – 12 per cent
Total No. of Units	41,713 – 100 per cent
Infrastructure	
Road Network	190 km
Sewerage Network	Covers part of the city
Garbage Generation	150 tons per day
Manpower	
Cadre of Employees	2,370
Number in place (1999)	
Budget for 2000 (Amounts in Rupees)	
Total Income	256,125,800
Total Expenditure	255,588,608
Surplus	537,192

Source: 1. Environmental Profile Colombo Core Area, Sri Lanka, December 1997, Resource Development Consultants Ltd, Colombo03
2. Budget Report, Dehiwala-Mt. Lavinia Municipal Council – Year 2000

Characteristic of Three Municipalities

As indicated in the above, the project area known as Colombo Core Area (CCA) consists of three contiguous Municipal Councils of Colombo (CMC), Sri Jayawardenepura Kotte (KMC) and Dehiwala Mt. Lavinia (DMMC).

CCA covers an area of 75 sq.km. encompassing 37.3 sq.km. for CMC, 16.7 sq.km for KMC and 21.2 sq.km for DMMC.

The estimated total residential population of the three municipalities was 1,168,886 as in 1998. The distribution of the population among the three municipalities shows that 800,000 for CMC, 134,114 for KMC and 234,772 for DMMC. This indicates that Colombo is about four times bigger than DMMC while KMC, the smallest, is just above One Hundred Thousand people. However, the annual population growth rate indicates that there is no drastic difference among the three municipalities as CMC and DMMC have recorded 1.14 per cent annual growth rate while the KMC has shown a slight higher rate of 1.20 per cent. These figures indicate that population growth has come to a maturity level in three municipal areas and it is the lowest growth rate in CMR. The average population density of the three municipalities too demonstrates that Colombo has the highest density of 278 persons p/ha while DMMC recorded 110 persons p/ha and the KMC being the lowest 79 persons ph/ha.

CMC is the business capital of Sri Lanka in addition to being the administrative and political hub. In 1978 the economy of the country was freed from many administrative, financial and legal controls to attract foreign capital and investment opportunities. There was a deliberate attempt to accelerate the pace of growth in all-important sectors of the economy. The effect of this approach was the spill over of the economic activities towards the periphery of the CMC. Due to the fact that all transport accesses were connected with Colombo, a transportation problem has still become a major issue in Colombo. Industrialization at the beginning took place in Colombo or close to Colombo due to the availability of infrastructure and the port. Subsequently industrialization was extended to southwards to DMMC and northward close to airport. Kotte MC has escaped from the industrialization due the existence of marsh

and low-lying areas but in 1982 Kotte city was declared as the political capital of Sri Lanka.

Among the three municipalities Colombo MC has better level of city services and infrastructure in water supply, sewerage network, drainage, solid waste disposal, telecommunication and electricity. Both KMC and DMMC do not have pipe borne sewerage network and a large part of two municipalities do not have proper surface drains. DMMC out of three municipalities has a vast potential to enhance its revenue adopting strategic urban management into the municipal system.

In this context, all the three municipalities are facing serious challenges of meeting the service needs of the increased city population and business sector activities. Inability to provide municipal services has resulted in deterioration of the living environment of the city population, which is the central concern of providing assistance to the municipalities to improve their capacity to handle these problems.

Major Issues Identified Through the Consultations (SCCP Sanitation Consultation and CDS City Consultants)

<i>Key Activity Area</i>	<i>Problems Identified</i>
(a) Port related activities	<ul style="list-style-type: none"> - Pollution of water in the harbor - Destruction of marine eco-system - Traffic congestion in the city - Air pollution due to vehicular emission
(b) Commerce trade and Financial activities and administration	<ul style="list-style-type: none"> - Increase in conflicting land uses. - Degradation of urban land - Increase pollution of land and water - Traffic congestion and air pollution. - Create inconvenient urban environment/Public

	nuisance. - Increase poor unhealthy housing
(c) Housing	<ul style="list-style-type: none"> - Create pressure on environmentally sensitive lands. - Underserved housing cause water and land pollution. - Excessive utilization of land resources cause degradation of land (i.e. earth excavation, sand mining and quarrying etc).
(d) Transport and Communication.	<ul style="list-style-type: none"> - Air pollution caused due to excessive vehicular emission. - Water and land pollution due to release of waste from vehicle service stations and garages - Soil erosion due to poor construction practices - Adverse effect on human health - Increase road accidents and loss of life - Loss of productive man hours
(e) Construction	<ul style="list-style-type: none"> - Excessive/uncontrolled extraction of sand and clay. - Water pollution. - Air and water pollution due to poor construction practices
(f) Industry power and energy	<ul style="list-style-type: none"> - Noise and air pollution - Indiscriminate discharge of industrial waste into water bodies and on land - Improper disposal of solid waste creating land pollution. - Pollution of major water bodies such as Beire Lake, Bolgoda Lake, and the canals of Colombo and DMMC area. - Pressure on environmentally sensitive lands such as low-lying marshes

	<ul style="list-style-type: none"> - Poor Construction practices leading to air and water pollution and degradation of land.
(g) Tourism and Recreation	<ul style="list-style-type: none"> - Destruction to the coastal eco-environment - Pollution of beaches due to discharge of waste from hotels. - Unauthorized erections on the beach.
(h) Solid waste Management	<ul style="list-style-type: none"> - Open dumping of solid waste by LAs cause land, water, and air pollution. - Indiscriminate throwing of garbage by individuals creates water and land pollution. - Aggravated health problems - Poor source separation, improper handling of hazards and clinical waste create serious health problems to the citizens. - Destroy the natural ecological balance in the project area.
(i) Water supply sewerage and storm water drainage	<ul style="list-style-type: none"> - Water pollution may occur due to excessive consumption of water by industries in the project area. - Poor storm water discharge/treatment facilities cause environmental and health problems - Lack of sewage facilities in most part of the project area can contribute to land, and water pollution - Poor discharge of storm water can contribute to spread communicable diseases.
(j) Agriculture and Fisheries	<ul style="list-style-type: none"> - Excessive use of chemicals and artificial fertilizers cause land degradation - Poor soil erosion control causes land degradation

	<ul style="list-style-type: none"> - and pollution of water - Poor handling of fish waste in markets causes pollution of the water and land
(k) Health Care	<ul style="list-style-type: none"> - Poor facilities and improper handling of health /medical waste create environmental as well as health problems - Uncontrolled use of insecticides causes water and land pollution

CDS Process

The CDS Colombo was initiated under the guidance and the support of UNCHS (Habitat) and World Bank in January 2000. Prior to the CDS, Sustainable Colombo Core Area Project (SCCP) was in operation with the technical and financial support of UNDP and UNCHS in Colombo Municipality and two adjacent municipalities called Sri Jayawardene pura Kotte and Dehiwala Mt. Lavinia. These three municipalities make the Colombo Core Area. CDS is working in close collaboration with SCCP.

CDS Colombo is being developed through a participatory process. Three key principles being applied to develop the CDS Colombo are:

- Whole CDS process should be organized on a consultative process,
- Ownership of the CDS and the responsibility of CDS implementation should be remained with the respective municipal council; and
- Its main focus should be on the poor and on identifying city level investment opportunities.

There are several partners involved in the development of CDS for Colombo Core Area. They are namely:

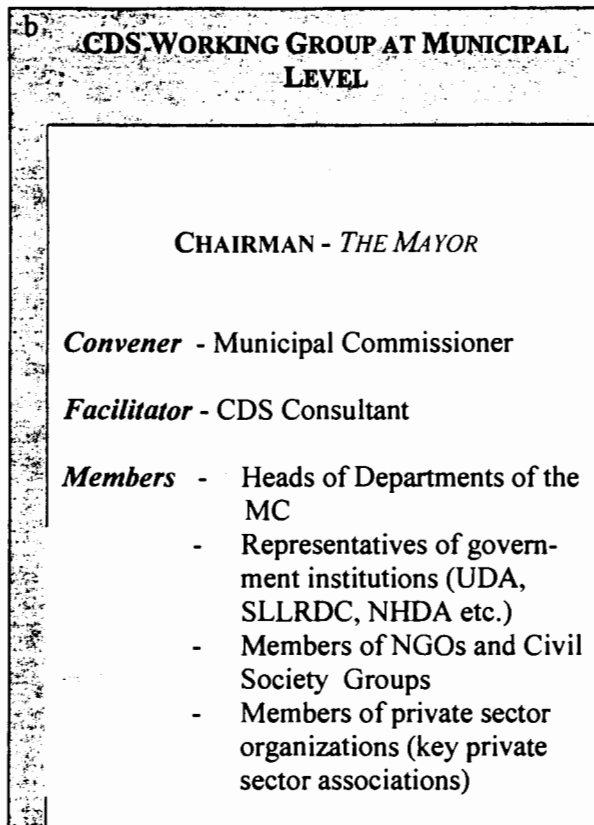
- Central Government line Ministries
- Western Province Provincial Council
- Three Municipalities
- CDS working groups / Focus Area working Groups
- Stakeholder groups from private sector, NGOs and civil society organizations
- National Partner Organization

Under the concurrence of two line ministries that are responsible for local government and urban development, a CDS Task Force at the Provincial Council level has been established for the overall coordination of CDS program in Colombo Core Area. The Western Provincial Council coordinates the CDS Process with the Chief Secretary chairing the CDS Task Force. Members of the Task Force represent the following agencies and the interest groups:

Task Force at the Provincial Council Level	
CHAIRMAN	<i>THE CHIEF SECRETARY OF THE WPC</i>
CONVENER	<i>COMMISSIONER OF LOCAL GOVERNMENT WPC</i>
Facilitator	CDS Consultant appointed to the Tasks Force
Members	<ul style="list-style-type: none"> - Secretary to the Ministry of Provincial Council and local government - Additional Secretary (technical) Ministry of Housing & Urban Development - Secretary to Ministry of Local Government, Western Provincial Council - Municipal Commissioners of the three municipalities <ul style="list-style-type: none"> • Deputy Municipal Commissioner (Development) of CMC • Municipal Commissioner of KMC • Municipal Commissioner of DMMC - National Level Organizations <ul style="list-style-type: none"> • Deputy Director General, Urban Development Authority (UDA) • Private Sector Representatives (02 members) • Representative from BOI • Civil society representatives (02 members) • Two advisers to assist the Task Force • Representatives of National Partner Institution (SEVANATHA)

Municipal council plays an active role in the CDS process. At municipal level CDS Working Group has been established in three municipal councils for developing the development strategies through participatory consultation process. Each CDS working group is assisted by a Consultant appointed by the National Partner Organization for

organization of CDS process at municipal level and to facilitate the focus area working groups discussions and to organize City Level Consultations. Composition of Municipal Level Working Group is as follows:



Focus areas have been mainly identified by the member of the CDS Working Group based on the analysis of current priority issues and development opportunities available within and outside the municipal area. Common Focus Areas identified by three municipal council areas are:

- Poverty and Social Sector Needs
- Environment and Infrastructure
- Local Governance and City Management
- City Economy

National Partner Organization

A National Partner Institution will facilitate the CDS process acting as a mediator between

the Municipalities, Provincial Council of the Western Province and the UNCHS (Habitat). For this purpose, the SEVANATHA Urban Resource Centre, an Urban Based NGO was identified considering its contribution to the recently implemented City Consultation Project under the Urban Management Programme (UMP) of UNCHS (Habitat) for Colombo.

Importance of CDS

City Development Strategies Program (CDSs) is a major and recent initiative of UNCHS (Habitat) and the World Bank. It reflects the increasing importance of urban regions as centres of population and engines for economic development.

CDS has become important in context of Colombo because CDS is being introduced as a process to develop the good governance, economic development and social inclusion for poverty reduction.

The approach of development of CDS Colombo is a participatory, consultative and a bottom-up process. The decision makers of CDS are key stakeholders in the city rather than experts who are not affected by respective city development processes.

CDS process would position the Colombo in context of globalization for better urban development and for national economic development. Cities will be preparing for their own development strategies and taking initiatives to search resources within the city as well as they demand it from the national government and donor agencies. Cities would develop institutional capacity to introduce their own financial instruments based on the city assets to raise funds within and outside for city development.

In this context, three municipalities in CCA would improve the efficiency, effectiveness and adaptability of city management systems. At the same time in order to realize its vision

for city development, actions would be taken for decentralization, devolution, the good governance by city authorities.

Linkages With the Bank Operations

World Bank country office in Sri Lanka is not directly involved in the CDS Colombo. But the Bank office has been informed all the development of CDS process in Colombo. Officer in charge of urban development in Colombo office has participated in city consultations, CDS Task Force meetings and a donor meeting held at WPC Chief Secretary's office with regard to CDS Colombo. Consultants involved in CDS studies have consulted the Bank as and when necessary for obtaining policy and program information related to urban development.

Key Stakeholders

City level

- Three Municipalities
- Relevant Government Agencies (National Housing Development Authority, Sri Lanka Land Reclamation and Development Corporation, Road Development Authority, Urban Development Authority, Central Environment Authority)
- Banking, Private Business Sector and Chambers of Commerce
- Civil Society Organizations (CBOs, Thrift and Credit Programs, Women Group, Youth Federations, Taxpayers Association, Small Traders Association, Environmental Federations, City watch group, Religious Group, Academic Groups)

Provincial Council level

- Western Provincial Council

National level

- Ministry of Housing and Urban Development
- Ministry of Provincial Council and Local Government

International level support organizations

- World Bank
- UNCHS (Habitat)
- UNDP
- DFID-UK
- JBIC
- USAID
- NORAD and many other bilateral agencies

Progress

CDS Colombo started its activities in January 2000. It was planned to complete the CDS consultation process and to present the Comprehensive Development Framework for Colombo Core Area and the City Assistance Program by the end of July 2000. Progress of CDS Colombo as at 15th May 2000 is as follows;

- Established CDS Task Force at Western Provincial Council
- Established CDS Groups at three Municipalities
- Prepared a briefing note about CDS – Colombo in both English and local languages
- Organized series of round table discussions with partners to make them aware and familiarize the CDS process
- Appointed all Consultants to Task Force, CDS working groups and studies
- Linked CDS process with other ongoing projects and activities in municipalities (e.g. SCCP and UMP etc)
- Prepared draft reports on following three studies by employing local consultants
- Update and Review of Poverty Profile of Colombo
- Economic Analysis of Colombo Core Area
- A review of Past and Present Development Efforts of Colombo
- Conducted series of consultations / Focus Group Discussions with relevant stakeholder groups.

- Held two city level consultations for KMC and CMC under the following themes;
 - City Consultation for Formulation of CDS for Sri Jayawardenepura Kotte Municipal Council Area on 27 April, 2000
 - Vision 2010 for Colombo on Corporate Sector Perspective on 9 May 2000
- Draft City Consultation Proceeding reports are being finalized for CMC and KMC
- City level consultation for DMMC will be held on 13th June 2000
- Broad Based City consultation will be held 22nd June 2000.
- Two main outputs of CDS Colombo will be available by end of July.
- Comprehensive Development Framework (CDF) and
- City Assistance Program (CAP)
- City management has realized that their cities have to be livable, competitive with other cities, bankable to increase the economic productivity and need to be culturally vibrant.
- CDS process – participatory consultation – has become an effective approach to improve the good governance (commitment to transparent and open local government)
- CDS helps to change mindsets of stakeholders (CDSs change the way the stakeholder think about the development and management of the city)
- Linked to existing city plans and programs like SCCP, UMP and Colombo Metropolitan Regional Structure Plan
- Municipal administration has taken initiatives to establish human resource and institutional development units within the municipality to realize the proposed vision of the city (City Development Sub Committee in KMC improving service delivery and environmental improvement work and the proposed Database Unit in DMMC are current initiatives).
- Continuity of the present CDS process has been found important by the city management and stakeholders. After city consultations in all three municipalities, it would be necessary to make sure that CDS will be institutionalized in an appropriate way.

Lessons Learned

What we learned so far from CDS city consultations are:

- For the success of CDS, the support of political as well as committed civic leadership is important.
- A wider participation of stakeholder groups is vital for formulation of a shared vision for the city.
- Once the vision for the city is developed it becomes the driving force to get the participation of all stakeholder groups and to mobilize resources to realize the common vision through city level strategies.
- Participatory consultative process is the important process to identify the most pressing needs of the citizens and to share the ownership of CDS with council and the key stakeholders.
- Professionals and partner organizations play a facilitating role. Cities now directly interface with key development actors such as private sector and donor agencies.

Follow-up on CDS

Task Force established at provincial level should be continued for coordinating and monitoring CDS Action Plans and to assist in resolving legal and administrative conflicts between local authorities and central government agencies and line ministries.

CDS Colombo will be preparing a detail follow-up action list after the Broad Based City Consultation and based on the Comprehensive Development Framework and city level action plans.

10. Lessons Learned

While several lessons have been learned up till now in the CDS processes in the South Asia Region, it is important to outline the following brief messages to translate them into immediate gains and wins for cities implementing or preparing City Development Strategies.

Problems Identified through CDS.

The issues identified through the CDS process are in fact very similar in its complexity and scope in the participating cities. Among the most common problems are:

- Deficiencies in physical infrastructure; particularly in the provision of basic services like water supply, sanitation and solid waste management; as well as inadequate transportation and deteriorated environment.
- Revenues generated by municipalities are insufficient to finance the municipal infrastructure and services. The city budgets can hardly cover the main investment projects, thus relying heavily on overseas development agencies resources and central government fund transfers.
- The administrative framework to manage the urban areas is extremely fragmented with highly centralized and uncoordinated functions among urban sub-sector agencies. The planning capacity of core agencies is severely constrained by lack of expertise, and absence of political commitment and institutional incentives.
- Qualified human resource is scarce and not properly allocated. Equipment and software to support effective management are far from adequate.

Key Elements for a Successful CDS.

There are only a few; however, critical --and very difficult to obtain-- elements that every CDS should incorporate in order to enhance the probabilities for success:

- Ownership of the process is vital. It should exist at all levels prior to starting any process, and be shared by all stakeholders.
- Community and overall stakeholders participation has been shown as the single most important pre-requisite for developing a CDS. The initial success of some of the on-going CDS is largely attributed to the fact that people from a wider spectrum of stakeholders were placed in the center of the process, which was completely missing in the past.
- The CDS should be part of a comprehensive approach and not a stand-alone initiative, to enhance the possibility of institutionalizing and internalizing the process in the near future.
- The linkage between the long-term strategy and most immediate investment plans and actions --resulting of the CDS--, require a direct link for financing the high priority investments, as well as other key activities,

in order to validate the exercise and transform into reality the proposed strategy.

Every case has shown to be very different on its expectations, limitations, objectives, scope and goals. However, it is also clear that the existing models or approaches can be used and adjusted to the peculiarities of each city.

- The people's willingness to participate in the process --including the poor-- is strong, since they had hardly been given proper opportunities. Sub-sector agencies recognize the need for coordination and there is positive motivation of key players from the private sector and NGOs.
- In some cases, there is a pressing need to start an organizational reform and improve the institutional coordination, prior to initiating the CDS; in some others, this is an issue identified during the CDS process.
- As part of the proposed comprehensive approach, some donor agencies and NGOs have recognized the need to further coordinate and concentrate its efforts on a single goal and a shared vision defined by the CDS exercise.
- In the CDS for the metropolitan areas there is a consensus on the fact that an active and equitable participation from neighboring cities or suburban areas is vital for success.

11. Conclusions and Recommendations

- The CDS process is evolving and will advance from cycle to cycle. It is imperative to regularly update and transform the CDS into a dynamic instrument to make the process work efficiently. If it is done as a one time event, it will not yield the expected results and people might lose confidence in it.
- The CDS approach is better organized in a holistic and comprehensive manner. It becomes a powerful instrument when it is a part of comprehensive urban sector reform program. Therefore, --if not already included as part of the CDS-- it should be complemented with analysis on the cities' environment, economy, and social development of all its inhabitants.
- When properly implemented, the CDS could be used to reinstate the faith of the people in the municipalities and other related agencies. Then, the remaining challenge is to transform the CDS goals and objectives into actual projects.
- The CDS should be provided with a more solid institutional basis to make it function as a core urban planning and management tool. Without institutionalization, the participatory process will not be sustainable, and the process may be distorted by excessive political intervention.
- In view of the complexity of the tasks being identified through the CDS the donors are expected to play an extensive role in the process by making a long-term commitment to provide support to the cities during the implementation of the CDS, and by strengthening the coordination among donors, particularly in sharing strategies on institutional development aspects.
- Mainstreaming CDS at a state level has shown to be useful to enhance innovation and competition for better performance among cities, as well as for replicating and scaling-up purposes. However, these initiatives, in order to succeed, should be built upon a strong policy base and commitment to reform, and based on a participatory approach and a demand-driven process.
- City Development Strategies are intended to help cities improve their governance and make new strides in qualitative and quantitative improvements in service delivery. Cities will be able to take action to mitigate crises; to plan proactively, to set out the goals and operational activities considered important by all stakeholders; and to achieve a smoother transition into future growth. Cities that are governed and managed well can expect to improve the efficiency in scarce resource allocation, and in the administration and service provision, as has been shown in dozens of cities around the world.

ANNEX A

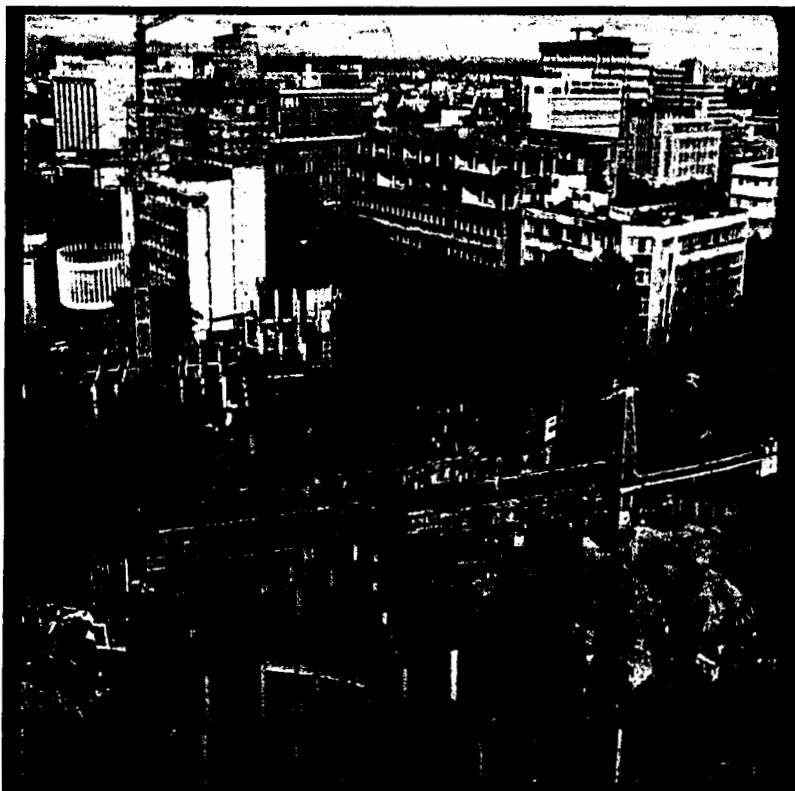
Making Cities Work For All: Global Action Plan for City Development Strategies

ANNEX A

CITIES ALLIANCE

MAKING CITIES WORK FOR ALL

Global Action Plan for City Development Strategies



- A new approach to provide sustainable livelihood, safe and secure living environment, and improved quality of life of the urban poor.
- Build self-sustaining capacity through improved governance
- Enhance productivity of the city and link the city economy to the region and the nation
- Develop new frameworks for participatory decision-making and analytical expertise for strategic planning

New Approach to Cities in an Urbanizing World. The 21st century will witness massive and rapid urbanization, with two billion new residents in cities of the developing world in the next 25 years. This process, though stimulated by economic development, has also led to sharp divisions in growth between cities and among people. The 21st century will also witness increased urbanization of poverty. Nearly one billion urban residents in the cities of the developing world are likely to be poor if current trends continue. The challenge for the cities is to improve equity, efficiency, productivity, and governance in order to provide sustainable livelihoods, safe and secure living environments, and a better quality of life for the urban poor. The City Development Strategy is one tool which, along with squatter upgrading, is being sponsored by members of the Cities Alliance to achieve sustainable urban development.

This Action Plan is a call to mobilize the global urban community to take part in developing a new approach to urban development, starting with City Development Strategies to be financed in nearly 100 cities, affecting 200 million residents and 100 million poor over the next five years. The effort will have impact far beyond numerical totals. Cities Alliance and the CDS are intended to set new standards and develop new tools of participatory decision-making at the city level and to reach self-sustaining capacity in cities and nations so that cities might reach an entirely new plane of development in this urban century.

Decentralization. This challenge for cities is due to the momentous change in global relationships of exchange, coupled with the progressive shift in the balance of power between cities and nation states. The urban transition that will produce 50 million-sized cities in the next 25 years is not merely a matter of numerical change. It is also an historical shift in political and social relationships between

cities and nations. The rich diversity in cultural and economic assets of nations are often concentrated in cities, and the power to act on these resources is gradually being transferred to cities, either by deliberate institutional shifts through decentralization policies or by political and economic reality.

Governance in Cities. Improved urban governance is one of the most important keys to success in making cities work, not only to address the challenge of urban poverty, but also to harness the opportunities that globalization provides. With decentralization, the task of marshalling civic capacity to prepare development strategies falls increasingly to city government. Much work will be needed to put enabling conditions and the norms of good governance into place so that cities can respond to the challenges before them. The norms of good urban governance characterized by sustainability, decentralization, equity, efficiency, transparency and accountability, civic engagement and citizenship, and security are mutually reinforcing. The participation of all the key stakeholders is essential for this process. Participatory governance is the only sure means of achieving an authentic vision of the future and the only sure way to achieve improvements in economic and social status for all citizens. The City Development Strategy promoted by the Cities Alliance is specifically designed to provide such a framework.

Value Added. With improved governance and strategic planning, cities will attain new levels of efficiency and productivity. Tens of trillions of dollars will be needed as investments in cities to improve levels of service of present populations, especially the poor, as well as to accommodate the new urban dwellers of the future. Past experience has shown that only a small fraction of these investment needs is likely to come only from donor resources. Cities will have to improve their financial resource base,

improve the operation and maintenance of existing infrastructure and improve its credit-worthiness for accessing domestic and international resources.

City Development Strategies are intended to help cities improve its governance and make new strides in qualitative and quantitative improvements in service delivery. Cities will be able to take action to mitigate crises, to plan proactively, to set out the goals and operational activities considered important by all stakeholders, and to achieve a smoother transition into future growth. Cities that are governed and managed well can expect to improve the efficiency with which their scarce resources are allocated. Many cities can also improve efficiency of administration and service, as has been shown in dozens of cities around the world.

A second area of value added is for cities that plan their strategic moves over decades can expect to waste fewer resources on “catching up” with rapid growth and poorly-sited facilities and services. Many cities have shown that a well-managed growth can extend services to low income populations in a way, which allows graduation to higher standards of service in accordance with public and private capacity to pay. A third area of value addition is in expanded productivity, for both the organized and informal private sector as well as the public arena. Cities that understand their competitive position, and move wisely and quickly to capitalize on their comparative advantage, can expect worthwhile economic returns.

Content and Process of CDS. The City Development Strategy is seen as an instrument to develop a civic capacity for collective vision and action. City Development Strategies are produced using participatory techniques and processes proven over decades of assistance, for instance, stakeholder buy-in and counterpart

contributions, and fully informed citizenry. In addition, CDS process brings to life at the city level, the comprehensive approach, including the coordination of donor assistance, which is at the center of comprehensive development framework.

City Development Strategies address at least four broad themes, two may be thought of as establishing enabling conditions for growth and development and the second two as outcomes. Taken together they are seen as the fundamental elements for sustainability in urban development:

- Good urban governance; as characterized by the norms in the campaign
- Fiscal balances, i.e., cities that are credit-worthy;
- Livability, especially for the urban poor in environmental, social, and economic terms;
- Competitiveness, i.e., the ability to improve productivity.

Specific outcomes expected from the participatory CDS process will vary in accordance to the specific context, but are likely to include:

- a collective vision for the city that is responsive to its comparative strengths and advantages in the national and regional context, that is “owned” by the city and all the stakeholders
- an agreed strategic framework for growth and poverty reduction and identified action areas with assigned roles for each stakeholder group,
- demonstration and pilot activities to be carried out using internal resources,
- increased capacity in the city to conduct strategic development planning,
- an investment framework with sources of finance, including donor support,

- at the national or regional level through associations of local governments and other institutions, to spread this capacity to other cities.

CDS Action Plan. In the next five years, the Cities Alliance CDS activities will be undertaken in nearly 100 cities affecting lives of over 200 million urban residents. CDS costs can vary greatly—say between \$ 200 thousand and US\$1 million per city—and their leveraging ratio is equally variable. But the measure of success of the CDS Action Plan is not only the numerical impact in cities helped or lives improved, although these changes are important. **Rather, the measure of success is an impact on changes in institutional behaviors.** At the global level, this would mean setting a new standard of practice for city development strategies. By the close of the decade, the CDS will have become a standard approach in the practice of urban development, one that is more easily achieved and more effectively implemented than the traditional urban master plan, the obsolete cousin of the CDS.

Within specific countries, the CDS should have established a link between the development of urbanized regions on the one hand, and on the other, conceptual and empirical ties to the national decentralization and development agenda. The CDS should help national and city leaders to understand both the opportunities and bottlenecks in productivity and growth. The Cities Alliance will produce analytical frameworks and monitoring indicators with which to measure these outcomes.

The first two years all partners of the Cities Alliance will be on a learning curve. This will require more detailed analysis of demand for work in each of the world's major regions, and entail developing the tools, including analytical frameworks, a guidebook, and monitoring indicators. Therefore in the first two years of the Cities Alliance, 7 to 10 cities will be taken up each year. In the subsequent years, 10 to 15 cities will be sponsored each year. Taken together, these CDS will generate investment at local level of around US\$ 4000 million by stakeholders, sub-national and national governments, bilateral and multilateral agencies. This will affect the lives of 200 million urban residents and 100 million poor.

Strategies in cities will differ greatly in content, scope, and focus. However, in most cities several themes will be central, governance, poverty, economic growth and sustainability. In selected cities, an effort will combine both City Development Strategies and Squatter Upgrading efforts.

The Action Plan builds on the comprehensive approaches now being adopted in major development institutions and extends the programmatic efforts of agencies in the UN system and bilateral donors. Moreover, the Plan includes a built in learning process. Already, more than 30 cases are underway and form the sample of pilot experiences from which much has already been learned.

ANNEX B

Kathmandu - City Profile

Kathmandu Nepal

Population Kathmandu City = 575,652
Total Urban Population = 2,990,308

General Description of the City

Kathmandu, the capital city of the Kingdom of Nepal, is the only one Metropolis in the country. The city is situated in a valley at an altitude of 1,350 meters. Kathmandu, together with other settlements of the Valley, is among the oldest settlements in the central Himalayas. Historical monuments, ancient temples and shrines, golden pagodas and inspiring deities have made this City an open-air museum and an inexhaustible historic, artistic and cultural interest to explore.

Kathmandu City was built in 723 A.D by King Guna Kamdev. According to the legend, Kathmandu Valley was a big deep lake before Manjushree converted it into habitable living space by cutting the hill at southern part of the Valley.

It is said that Kathmandu City was named after "Kastha-Mandap", a temple made of a single tree built in 1596 AD. Before King Prithvi Narayan Shah united Nepal into one nation, at the end of the 18th century, it was a *terra incognito*. The world came to know about this great valley only after 1654 AD, through a map drawn by Samon d'Abbeville.

The municipal area is currently spread over 5,076 hectares with different growth patterns. The City can be broadly distinguished into three sectors as Historic City Core, the City Center and the City Outer Ring.

Administratively, the City has been divided into 35 wards.

Demography, Labor Force and Income

Demography

With increasing economic activities and available facilities as well as glamour, Kathmandu has been attracting people from different parts of the country. According to 1991 census, the city population was 421,258, which is estimated to be 575,652 in 1998 with an average growth rate of 6.0 %, and residential density of 176 people per hectare. The average household size of the city is 5 persons. The floating population of Kathmandu city is estimated to be 50,000 during daytime from nearby cities and villages like Bhaktapur and Lalitpur. This is due to the presence of major government office headquarters and the Central Business District (CBD).

Migration and ethnicity

Migration in the city has been a major trend because of CBD as well as other urban facilities. It is estimated that 20,916 people migrated into the city in 1998. The numbers have probably increased over the past few years. Apart from such migration, because of high commercial value of land, many indigenous inhabitants prefer to sell their land and move towards the fringe areas. In 1991 census, it was found that the migrant population consists of 63 different ethnic groups. These groups are divided into various castes and class system. The largest group aside from the major caste i.e. Brahmins, Chhetris and Newars are the Kirats (includes ethnic groups like Rai, Limbu, Thakali, Tamang, Magar etc.) who are engaged in military service, business and industry.

Facilities & Services

Kathmandu is also a major center for health service and education. The presence of country's best hospitals, schools and colleges has helped the city in generating its human resource and income as well as providing services to other parts of the country. The adult literate population reaches to 78.2% and the school enrollment rate is 86.6% (primary-86.4%, secondary- 86.8%). Figure 1 shows the number of schools and colleges that is contributing to increase the literacy rate of the city as well as of the country itself.

Similarly, in the health sector, the city has 21 private hospitals/nursing homes and 15 government hospitals with 197 hospital beds per person. These hospitals include some of the best hospitals of Nepal.

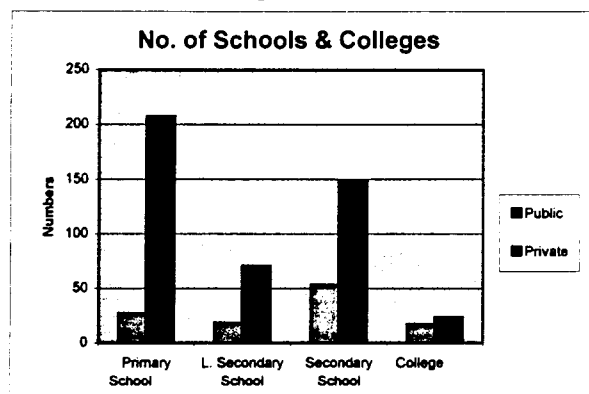


Figure 1 (source: District Education Office)

Life expectancy of the city is 67 years, higher than the national life expectancy of 56 years. Other health related activities such as vaccination and family planning programs have been quite successful in the past years. Users of family planning methods have increased to 104,239 (1998/99) from 96,327 (1996/97).

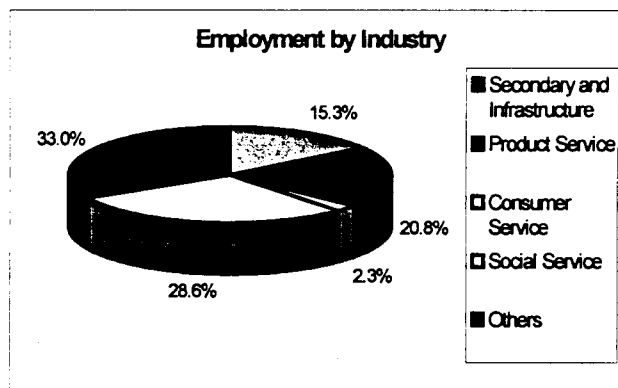
Labor Force and Income

Although Kathmandu was traditionally an agricultural town, it now has diverse economic activities. A considerable number of economically active people are involved in

personal and commercial service (33.0%) while others are involved in social service (28.6%), consumer service (20.8%) etc (Fig.2). A large population, most of whom are migrants, is involved in the informal sector. These activities has helped them in sustaining and supporting their family

The income level of the city is comparatively higher than the national per capita. The Nepal Living Standard Survey, 1996 has shown the average per capita income of US\$360. which is much more higher than the national per capita (US\$222). This is because of the concentration of major economic activities and human resources in the city.

Due to continuous migration from different areas and a large number college graduates



each year, employment has become a major problem. The government has been successful in producing human resource but has not been able to bring about related job opportunities in the city. Thus it is leading to tough job competitions and underemployment. Though the city has various types of manufacturing industries, it has not been able to help the population a lot, since most of the employees in these industries are migrants as unskilled labor.

Political Structure

Democracy was restored in Nepal only 10 years ago. The nation got a new constitution in 1990, which is politically believed to be the most

liberal and socially progressive. The 1990 constitution envisages a parliamentary democracy with constitutional monarchy. It guarantees the standard civic and political rights of the citizens, provides for an elected government accountable to the parliament and declares, "the source of sovereign authority of the independent and sovereign Nepal is inherent in the people"

Urban Governance

The country is now moving towards decentralization process by strengthening local authorities. Recently, the Local Self-Governance Act, 1999 has been enacted, which is trying to empower local governments. The Act has given local governments authority in diverse sectors like taxation, physical development, water resources, education and sports, culture, transport, health service, social welfare, industry and tourism. Aside from these functions, municipalities can handle other miscellaneous functions, as per the decision of municipal board. Though municipalities have full authority to execute the listed functions, it still has to rely on the central government authorities as the Local Self-Governance Act has just been introduced.

Kathmandu Municipal Corporation (KMC) is divided into 35 wards. The people elect one chairman and four members (including at least one woman) from each ward once in five years. People from every ward elect their respected Chairman and ward members as well as the Mayor and Deputy Mayor of the City. Altogether there are 197 council members, including the Mayor, Deputy Mayor, ward chairmen, ward members and 20 nominated members. KMC has a Municipal Board of 39 members including all the ward chairmen and two nominated councilors. The Municipal Board, consisting of the Mayor, Deputy Mayor and 35 ward chairmen and two nominated members. Ministry of Local Development deputed a senior staff in the municipality as a secretary of the Municipal Board, who has

executive rights and acts as a bridge between central and local government.

Urban Infrastructure

Being the only metropolis of the country, it has better infrastructure facilities compared to other urban centers of the country. Of the total population, 99.1% have electricity connection and 87.98% have telephone connection. However, some of the basic municipal services like piped water supply (66.79%), sewerage (42.07%) and garbage collection (75%) system are still not adequate. Many of the water supply and sewer lines are more than 100 years old, designed to cater limited population. Water supply distribution system is in linear pattern. About 40% of the water supply is lost due to leakages. Similarly, due to limited capacity of sewer and drainage lines, roads often get flooded during the monsoon.

There is a high potential of privatization of various utility services. Recently, it has been practiced in some sectors like household waste collection in selected areas. Similarly, bus park management has also been delegated to private party under Public Private Partnership Program. KMC is also looking forward for such partnership in various other sectors.

Communication services in the city are inter-linked by local, STD, ISD, cellular phones, e-mail and internet. Nepal Telecommunication Corporation is the only agency providing telephone services nationwide including distant telecommunication like STD and ISD. Recently, it has introduced cellular system and distributed 4,100 mobile phones. There are altogether nine internet service providers (ISP) with total subscribers of 8,852 only in the city.

Transport

Kathmandu City has good radial road network connecting the City to the other parts of the country. The City is connected to the eastern and western parts of the valley through Arniko

and Tribhuban Highways. Whereas, feeder roads connect the northern part of the Valley. The City is served by a Ring Road, which also acts as the City boundary in most of the stretches. With the current trends in urbanization, many experts have proposed inner and ring roads. The state and condition of road networks widely varies from motorable to non-motorable. The historic city core has a perfect pedestrian network but is hardly able to cater to the present transportation needs.

The City travel mode is still dominated by walking which is reasonable due to short distances. This mode is also encouraged because of insufficient public transportation. Buses and tempos are the dominant modes of public transportation for which the private sector is playing a major role. In recent years, use of private vehicles like motorcycles and cars have significantly increased.

The strategy plan for Kathmandu Valley suggests pedestrianizing the city core the extent possible. Under this approach, the stretch of Kathmandu Durbar Square area has been pedestrianized. However, significant impact has not been achieved as local people often oppose the idea. Road upgrading, drainage improvement, road widening, construction of pedestrian over head bridges are the recent developments in the Historic Core and City Center carried out by Municipal Infrastructure Improvement Project (MIIP) of KMC. This project has improved the traffic condition of the city to some extent.

Housing access and affordability

Land and housing development system in Kathmandu is often haphazard and unplanned. Usually people seek for basic services such as drinking water, drainage and road network only after building the houses. High rate of land fragmentation is due to the social trends as well as land brokers' current practices. It leads to unplanned and inconvenient settlements. Housing is unaffordable for majority of people

indicated by house price to income ratio of 10.6.

Although housing development systems are not the norm, there is increasing trend of residential land development practices through different mechanisms (land pooling, sites and services, guided land development). Minimum standard for infrastructure provision has not yet been fixed so far for such land development activities. Land pooling system is the popular practice which is self-financed by the beneficiaries themselves where the government plays only a facilitating role. The cost of land development varies according to the situation. At current price, about US\$12.45 million has been invested in such land development activities within the last decade.

Increasing economic disparity and pressure on urban land leads to limited access for housing. The number of housing permit issued has decreased substantially from 5,107 (1994) to 2,250 (1998). The building construction trend is shown in figure 3. The investment in housing was US\$7.6M (1983-84) and out of the total amount, 30% was spent on land purchase, which was estimated to be 50-60% of total investment (1995). The average construction cost per housing is estimated to be about US\$38,000.

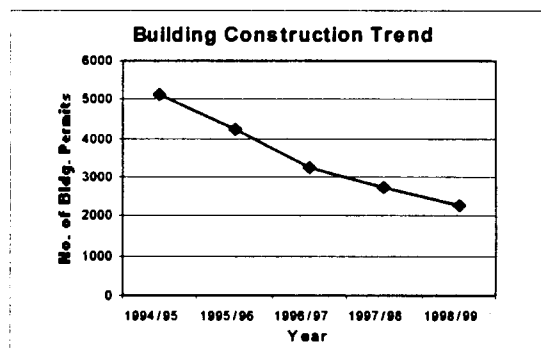


Figure 3 (Source: KMC, 1999)

Individual loans for housing are formally available through finance companies. The mortgage to credit ratio is 50 %. The mortgage loan for women is very low, less than 1%. In the present context, housing loans made

available through financial institutions are minimal and access of the poor (disadvantage group) to credit is questionable.

Housing Quality

The quality of housing, related with the basic services and facilities, is not so satisfactory, which differs widely in the different sectors of the city. However, dwelling units for Kathmandu are significantly above the minimum size of housing units by the average floor area represented by 10.72 square meter compared to the 5 square meter of minimum urban standard. The average floor area per person is low compared to the over all per capita floor space of urban areas given by 12.5 square meter in year 1991. The housing accessibility system has given rise to the owned tenure type as represented by 60%. This figure is comparatively lower in national context of self-owned housing given by 94.6%. The renter tenureship accounted for 30%. This is also due to the fact that most of those in rental accommodation have their own housing in other parts of the country. In Kathmandu, the housing bears a commercial value and is also treated as a commodity. The house price to income ratio is 6.4%. The apartment system of housing owned by single owner and rented to families in flat system is a rising trend in rental housing. Though the Apartment Act has been introduced, at present, it has not yet been practiced in significant form.

The high population growth rate (6%) primarily due to migration trend has led to the growth of squatter settlements in Kathmandu. Marginal and unattended public land like riverbanks and steep hill slopes are favorable locations squatters. Resettlement and regularization of squatter settlements has not yet been practiced. Housing is mainly owner-built through an incremental process. Social housing and sub tenant is almost negligible in the City.

Environmental Management

Rapid urbanization of Kathmandu City in the last decade has resulted to considerable change in the environment. Despite the favorable geographical condition and a pleasant climate, increasing population, number of vehicles and unplanned and inadequate infrastructure has created several environmental problems.

On average the city produces 563m³ solid-waste per day. KMC's collects about 75 % of the total waste generated from the streets and containers. The waste is carried to a transfer station and then to the Gokarna landfill site for final disposal. However, the collection and disposal system needs to be improved. There is no strict restriction waste disposal, thus waste is dumped on the streets at any time. KMC is now promoting participation of private and community based initiatives in waste management. Presently, two private companies are working with KMC for door-to-door collection programs in selected areas. This has been appreciated by the local people. Similarly, many other community-based organizations are also working in this sector with their own initiatives. Aside from household collection, reuse and recycling of waste at local level is also being introduced.

Beside solid waste disposal, sewerage disposal has also been one of the major problems in the city. Only 42% of the households have sewerage line connections, while 40% have septic tanks. As the city lacks, wastewater treatment facilities, the outlets of the sewer lines are directed towards the nearby rivers, causing severe river pollution. Recently, KMC has introduced constructed wetland for treating wastewater on a pilot basis. However, this small-scale wetland only contributes as a demonstration plant to introduce the technology for local communities. The City needs several large-scale treatment plants to treat about 15 MLD of wastewater currently being discharged into the rivers.

With the growing urbanization of the City, quality of the air is also deteriorating. A few air quality improvement programs have been initiated in the City in past two years. Recently, the government decided to follow Euro-I standard for vehicle emission and electric three wheelers (SAFA TEMPO) have replaced over 600 diesel three wheelers.

Similarly, international agencies are also helping the government in conducting various activities related to pollution control. Ministry of Environment in collaboration with Danish Government has recently launched a comprehensive program for the improvement of air quality in the Valley. This program includes vehicular fuel quality improvement, vehicular emission control and enforcement program, and ambient air quality monitoring and awareness campaign.

Culture and Heritage

Kathmandu is a city of living heritage. A number monuments, including the Hindu temple of Pashupatinath and Buddhist Stupa Swayambhunath are precious assets of the City. The city has many other ancient and historic landmarks.

Among the Seven World Heritage Sites of Kathmandu Valley, four of them are located in Kathmandu city alone, which are Swayambhunath Stupa (4th century A.D), Pashupatinath temple, Hanuman Dhoka Royal palace (14th century A.D) and Bouddhanath Stupa (15th century A.D). Besides these cultural and historic places the typical courtyards of the ancient city and houses with its intricately hand carved doors and windows are also major assets.

Kathmandu celebrates continuous flow of interrelated festivals throughout the year that is mysterious, colorful and full of fun. It reflects the life, joys, fears, dreams and sorrows of the City. These festivals are dedicated to specific deities and have been historically instituted based on legendary beliefs and superstitions.

Natural and man-made disasters

There has been no significant disaster in Kathmandu City in the past 10 years. A major earthquake, however, destroyed much of the city in 1934.

Major Urban Development Projects, Strategies and Policies

An officially approved urban development strategy does not exist. However, most of the urban development projects are based on Kathmandu Valley Urban Development Plans and Programs: Strategy Plan for Kathmandu Valley (Halcrow Fox *et.al.* 1991). Metropolitan Infrastructure Improvement Program under Kathmandu Urban Development Project was one of the major projects completed in recent years. KMC is currently in the process of developing a City Development Strategy.

Ministry of Housing and Physical Planning (MHPP) is the responsible government agency for physical planning of urban areas at national level. The approved plans are implemented through the Kathmandu Valley Town Development Committee. Most urban development projects are implemented through assistance of donor agencies and the related government agencies.

