

Bilateral co-operation in the urban sector - the British approach

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Context

After its election in 1996, the new British Labour government signalled its intention to give a higher priority to international development by upgrading the Overseas Development Administration to a full ministry (the Department for International Development, or DFID), with a minister in the Cabinet.

The budget for DFID was increased from UK£2326 million in 1998/99 to UK£3218 million for 2001/2, representing a real annual increase of 8.8 percent a year. This reverses an 18 year decline, but still only represents 0.3 percent of GNP and is therefore still well short of the internationally agreed target of 0.7 percent. Nearly half of the budget is channelled through the EC and the UN family, and the remainder is concentrated in the poorest countries of Asia and sub-Saharan Africa, especially the Commonwealth countries, with which the UK has strong historical links. The transition countries of eastern Europe also receive increasing support.

British aid is presently driven by the over-riding objective of halving the proportion of people living in extreme poverty by 2015. To achieve this, DFID is working in partnership with other international agencies and with national governments, the private sector and civil society. Emphasis is being given to increasing sustainable livelihoods and good governance, economic and institutional reform, education and health programmes and improving the environment.

Within this broad framework, regional or country offices prepare Country Strategy Papers, based on local needs as negotiated with local governments and other stakeholders and agreed with London. Budgets are then controlled largely by the country offices.

What is UK policy for the urban sector?

Until this month, DFID has not recognised urban development or management as a sector in its own right. In fact, most UK funding has historically been allocated to rural development programmes and this is unlikely to change in the near future. Such an approach has commonly been explained by stating that the majority of poor people live in rural areas and the majority of rural people are poor.

Since Habitat II in 1996, DFID has, however, undertaken 191 urban based projects. A high proportion of these consist of water and sanitation projects, plus settlement upgrading and support to local authorities and other line agencies. Increasing emphasis is being placed upon the dissemination of best practices through support for Community Learning, Information and Communication Centres (CLICs) and Urban Resource Centres. These are achieving a strong track record in involving local communities and interest groups and building partnerships to address locally perceived goals.

The previous lack of a clear focus on urban issues in DFID had several causes:

1. The perceived failure of Habitat II and the Habitat Agenda to provide a clear focus and basis for action. In terms of mobilising support within DFID for urban issues, Habitat II may as well not have happened.
2. The lack of an internal advisory group to champion urban sector issues or raise awareness of their implications for other sectors.
3. The perceived failure, in retrospect, of urban projects to achieve replicability due to high standards and dependency on subsidies, plus a top-down approach which failed to match needs and resources.

However, following a recent reorganisation of DFID, the Engineering Division has been re-titled the Infrastructure and Urban Development Department. This will act as a focus for new initiatives in urban areas and will formulate strategies for in-country offices to develop and implement. A major new programme is already committed for 32 towns in Andhra Pradesh in India, to be carried out over the next seven years. This will have three main objectives:

- Sector reform and capacity building (10 percent of the budget)
- Support for budget lines and infrastructure, on completion of the first component (80 percent of the budget)
- Measures to ensure the inclusion of civil society in the whole process (10 percent of the budget).

Does UK policy differ much from that of other international agencies?

DFID is in the process of formulating an urban strategy which is based exclusively on reducing extreme poverty in the world by half by 2015. The target for the end of the present Parliament is to reduce child and maternal mortality rates, increase the number of children in primary school and increase real annual incomes for the poorest 20 percent of the population.

DFID subscribes broadly to the approach of the UMP and World Bank, which is seen as focusing on the needs of poor people, creating a regulatory framework supportive of private sector economic activity, increasing accountability and alleviating poverty. Within this framework, DFID criteria require programmes to be *focussed* (directed at the poor), *inclusive* (broad programmes benefiting all groups) and *enabling* (improving sectoral policy and the legal framework). DFID has adopted the World Bank definition of extreme poverty based on incomes of less than a dollar a day.

What are the prospects for change?

As mentioned above, a major review is presently under way of DFID's organisational objectives and structure. The decision to rename the Engineering Division the Infrastructure and Urban Development Department is a major breakthrough in that it recognises the contribution that dynamic, healthy and successful towns and cities play in achieving broad social, economic and environmental policy objectives. The Department will clarify its urban strategy over the coming year, but will not be ready to make a formal presentation at CHS17.

Personal observations

The decision by DFID to recognise the urban dimension of its strategy is a welcome development and the objective of halving the proportion of people living in extreme poverty

by 2015 is undeniably worthy. However, it is nonetheless a negative objective (halving and later eliminating something) and raises several questions which are becoming more apparent as policies have to be transformed into practical programmes.

The first issue is one of definition. A recent World Bank electronic conference demonstrated the complexity of attempting to define something so multi-faceted and partly subjective as poverty. At the same time, the political pressure to deliver election promises encourages definitions which can be easily measured. To this end, it is perhaps significant that several Country Strategy papers refer to the proportions of people living on less than \$1 a day. Does this mean that if incomes can be doubled to less than \$2 a day, that extreme poverty will have been halved and the policy objective met? Also, what will be the value of \$2 a day in 2015 (or even 2005)?

Secondly, the nature of poverty may be different in rural areas where households are less dependent on the cash economy and income data may not accurately reflect their standard of living. Urban residents are less likely to have non-monetary sources of income and generally pay substantially more for food, travel and access to land, housing and services. Urban poverty may therefore represent as serious a challenge as rural poverty and is increasing even more rapidly.

Perhaps a more achievable and equally worthy objective would be to stimulate development for the poorest. This has the obvious merit of being a positive goal (ie increasing rather than reducing something) and the outputs are possibly easier to measure (increasing incomes and access to land, services, education and health facilities, or reducing constraints and costs). These can be summarised by improving *security, accessibility, opportunity and capability*.

The combined aid provided by the UK and other agencies is probably far less than the amounts invested in rural development by national governments and the private sector. Yet government revenues are invariably generated largely from urban areas. For example, Mumbai accommodates only 1.5 percent of India's total population, yet generates over 30 percent of *all* central government revenues. Dynamic, safe, healthy cities are therefore a precondition for funding sustainable rural development programmes. This is still not adequately recognised.

Finally, there are possibly structural constraints to the level that rural incomes can be increased, since they depend ultimately on the prices of agricultural products and the numbers of people sharing the surplus generated. Most evidence shows a direct correlation between levels of economic development and levels of urbanisation. Since development is generally achieved by expanding non-agricultural sectors (eg manufacturing, services, tourism, etc) and since most of these productive activities tend to be located in urban areas, where the economies of scale and diversity of labour exists, it would be easier to help the poor out of poverty by assisting the process of urbanisation which has, in any case, been accelerating during the last few decades of the 20th century.

The poor have already decided that their future prospects are greater in urban than rural areas. Perhaps it is time that the international development community followed them, rather

than seek in vain to keep them where they are. We in N-AERUS could perhaps seek ways to identify the arguments and evidence which can succeed where Habitat II appears to have failed in building a constituency of awareness and support for policies which recognise and enhance the social, economic and environmental role of urban areas in development.