Helpdesk Research Report: Urbanisation and Governance
6th May 2011

Query: What are the key governance issues and trends in relation to urbanisation? This should include, but not focus exclusively on, urban governance issues.

Enquirer: UNDP Oslo Governance Centre

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1. Overview

This paper identifies the main governance issues and trends related to urbanisation. It is based on a rapid review of the available literature and inputs from several experts in the field of governance and urbanisation. There is a growing consensus that issues relating to urbanisation cannot simply be tackled by monetary or technical interventions, but that new governance approaches and ‘institutional innovation’ are required to meet these challenges (Sha et al 2006, Clarke Annez and Linn 2010, OECD 2010).

This review has highlighted a range of distinct policy issues and trends arising from urbanisation:

- **Climate change**: The interface between climate change and urbanisation is a key concern in the literature. Research and policy documents focus on the question of how international, national, regional and urban actors aim to address climate issues arising from urbanisation. The literature also discusses the role of decentralisation and advocates more transparent and accountable governance as a means of ensuring that vulnerable cities are capable of planning to meet the challenges presented by climate change.

- **Land policy**: Land policy is identified as a key tool in addressing issues arising from urbanisation. A number of studies highlight the growing importance of analysing and regulating land use in ensuring that urbanisation supports economic growth and equitable development.
• **Growth:** Urban growth strategies can be a useful policy tool for managing the expansion of cities. Regional approaches can help to address imbalances in job creation that may arise from expansion.

• **Inequality and social exclusion:** A range of governance interventions that can address inequality and segregation are mentioned in the literature. There is a particular focus on improving service delivery and addressing the rise in criminal and armed violence associated with the growth of slums.

• **Megacities:** Rapid urbanisation and the emergence of megacities have led to a growth in un-governed or poorly governed spaces, which has contributed to growing violence. In these contexts, informal and formal systems of governance are closely interconnected and formal responses alone are likely to prove ineffective. A number of authors argue that megacities demand new governance concepts, tools and strategies.

• **Rural hollowing:** In China, urbanisation has been accompanied by growing poverty in rural areas. Key governance issues include rules around land use and property ownership, which have led to the wasteful use of land in rural areas.

The literature also identifies a number of broader trends in governance approaches to urbanisation. The following issues are increasingly emphasised by donors, policymakers and researchers:

• **Multi-level governance:** The need for urban authorities to work closely with a range of national and local actors (including government, private sector and civil society actors).

• **Demand-side governance:** The importance of prioritising demand-side governance support, which includes efforts to enhance accountability and transparency.

• **Regional approach:** The need for policymakers to adopt a regional approach that recognises the inter-connectedness between urban and rural areas.

• **Political economy approach:** The need to understand how political economy factors can determine the effectiveness of urban and rural governance.

• **Data and knowledge-management:** The growing importance of data and knowledge management systems in driving innovative governance responses to urbanisation. This point is raised in a number of the distinct policy areas discussed in section two.

• **Financing:** Rapidly growing cities find it challenging to find appropriate funding sources for infrastructure and service provision. A growing number of studies highlight the importance of improving financial management and finding alternative sources of revenue for urban governance.

• **Decentralisation:** When combined with rapid urbanisation, decentralisation programmes can increase the strain on local government capacity. Political decentralisation should be matched by fiscal decentralisation.
2. Key Policy Issues

2.1 Climate Change

One of the key governance issues arising from the climate change agenda concerns the level at which these issues are tackled and how different levels of government can work together. Most of the mechanisms within the international climate change framework address national governments and there is a lack of interventions that address climate change issues at the urban or regional level (UN-Habitat 2011, OECD 2010). Meeting climate change challenges requires greater collaboration with other cities as well as with national governments (OECD 2010, Corfee-Morlot et al 2009). Many OECD governments have devolved climate change funding to local authorities. Another important challenge in this area is integrating national climate strategies with existing regional and urban policy frameworks (OECD 2010). National governments should seek to enhance coordination and streamlining between sectoral and administrative entities (UN-Habitat 2011).

Corfee-Morlot et al (2009) argue that ‘advancing governance of climate change across all levels of government and relevant stakeholders is crucial to avoid policy gaps between local action plans and national policy frameworks (vertical integration) and to encourage cross scale learning between relevant departments or institutions in local and regional governments (horizontal dimension)’. They state that the most promising frameworks combine these two elements into ‘hybrid models of policy dialogue where the lessons learnt are used to modify and fine-tune enabling frameworks and disseminated horizontally, achieving more efficient local implementation of climate strategies’ (p.2). In a similar vein, Tanner et al (2008) argue that while decentralisation can help to foster more effective urban responses to climate change in some contexts, in others it can create conflicts and delays between agencies. They suggest that ‘a balance must be struck between the need to build climate resilience rapidly and the need to avoid mal-adaptation by ensuring marginalised voices and climate science agencies contribute to the process of decision-making, planning and implementation’ (p.3).

A recent UN-Habitat (2011) report argues that making financial resources more directly available to local players can be helpful for climate change adaptation in vulnerable cities and in generating investment in a portfolio of alternative energy options. The report suggests that policymakers ‘should begin from an awareness of local development aspirations and preferences, local knowledge of needs and options, local realities that shape choices, and local potential for innovation’ (ibid, p.vi). This may involve boosting the scope of community and civil society participation or developing partnerships with the private sector and NGOs (UN-Habitat 2011). Tanner et al (2008) argue that greater transparency, accountability, participation and inclusion are key factors in ensuring good governance for adaptation.

Satherthwaite (2008) states that urbanisation has exacerbated lack of provision for infrastructure and disaster-preparedness and planning for and coordinating disaster response. He argues that the key to adaptation in most instances is competent, capable, accountable urban governments that understand how to incorporate adaptation measures into most aspects of their work and departments. Many needed measures may seem to be quite minor adjustments to current practices – for instance in adjusting building codes, land sub-division regulations, land-use management and infrastructure standards – but the sum of all the minor adjustments over time can build greater resilience without high costs.
Key policies in this area include land-zoning, which can reduce distances required for urban travel and thus reduce emissions and energy use. They can also improve preparedness for extreme weather events. Building policies can help to increase energy efficiency, while waste policies can reduce CO2 emissions. Urban authorities may provide greater social and technical innovation than national authorities may be able to provide on their own (OECD 2010).

2.2 Land Policy

A number of studies highlight the growing importance of analysing and regulating land use in ensuring that urbanisation supports processes of economic growth (Clarke Annez & Linn 2010, OECD 2010). Two key policy issues in this area are the role of land and housing regulations and the conversion of rural to urban land (Bertaud 2010). In many developing countries undergoing rapid urbanisation, land tenure agreements have failed to respond to the challenges of changing population patterns (Simler & Dudwick 2010). Many cities are rife with ‘grey areas’ where a number of authorities contest ownership (Simler & Dudwick 2010).

Many OECD countries have developed land use regulation and land-related policies to address market failures linked with rapid urbanisation and unplanned growth (OECD 2010). Most OECD countries also produce detailed surveys on urban land use and disclose land transaction data such as land price information. Land value surveys have been increasingly used to inform urban infrastructure planning and to support local property tax regimes (OECD 2010). A recent UN-Habitat (2011) report on urbanisation in Africa argues that the issue of land markets is of particular importance. In Africa, most land transactions are conducted in informal markets. Formal markets should embrace the practices of informal markets in order to relieve overburdened public land administration. Governments should rationalise fee structures, improve registration systems and phase out debilitating legal and procedural dual system in urban land markets (UN-Habitat 2011). Land use and regulatory audits are a key mechanism for improving land use. These actions will ultimately rely on good quality data, governance capacity and financing (Bertaud 2010).

2.3 Growth

Efforts to manage urban growth have been an important feature of urban planning in OECD countries. Strategies have included protecting farmland or open spaces in peri-urban areas. OECD countries have developed policy tools such as development moratoria and rate of growth controls to limit the speed of urban expansion. Other strategies include zoning, urban growth boundaries, green belt policies, public acquisition of land, split rate property taxes and comprehensive land use planning (OECD 2010). Sha et al (2006) argue that in China, strengthening the legal system to bring it more in line with the requirements of a market-oriented economy is one of the key institutional reforms needed to meet the challenges of urbanisation.

OECD countries have increasingly developed area-based employment generation policies, which target specific local job creation challenges and shortages. OCED countries often support business development in cities through cluster policies. These kinds of policies need to be based on systematic analysis of a region’s economy and assets in the context of global trends. Regional strategies should focus on supporting adaptation to change and building consensus among private and public actors in the region (OECD 2010).
2.4 Inequality and Social Exclusion

Although poverty levels and the quality of service delivery tend to be better in urban areas, urbanisation has exacerbated inequality in both urban and rural areas (Simler & Dudwick 2010, SH comments). A number of studies highlight the growing need to expand the delivery of social services to all segments of society —within and adjacent to urban centres of development. Clarke et al (2010) argue that inclusive service provision is required to ameliorate the impacts of growing informal settlements, worker migration, and rising social unrest. Social inequality and exclusion is a growing feature of African cities and is a result of laissez-faire attitudes to rapid urbanisation. A recent report by UN-Habitat (2011) argues that construction standards should be set more realistically to reflect a country’s administrative capacity. The emergence of urban corridors and urban regions introduce complex and highly fluid spatial, regulatory and political realities. There is a need to introduce holistic area-wide planning and urban management to address the governance issues in these areas.

OECD governments have increasingly sought to address issues of social segregation caused by urbanisation, which particularly affect recent immigrants. They have also provided support to infrastructure in new peripheral areas with the aim of reducing the economic marginalisation of new immigrant communities. Other policies include service provision strategies that encourage mixing of new and more established communities (such as mixed schools) (OECD 2010). Supporting affordable housing has been a key strategy for tackling social exclusion in many urbanising contexts; this is arguably ‘the single most critical issue of the city’s politics of citizenship’ (SH comments).

The growth of slums has heightened exposure to criminal and armed violence (Muggah 2008). Because slums sit outside the reach of formal policing institutions, slums are less able to regulate the use of firearms. Sustainable urban planning and public safety programmes must assume a growing priority in national development planning strategies (Muggah 2008).

2.5 Megacities

Koonings & Kruijt (2009) argue that the emergence of megacities has driven growing exclusion and violence in urban areas. A growing number of megacities have seen the expansion of spaces where formal or effective governance is absent. In these contexts, the line between formal and informal institutions breaks down (SH comments). As a result, institutional responses to these challenges have largely been ineffective. In many megacities, effective governance no longer occurs and developmental and land-use planning is non-existent (Kraas 2007). Megacities are ‘new loci of global importance’ and are affected by many levels of governance (Kraas 2007). Traditional governance concepts, strategies, tools and priorities for urban governance are unsuitable in these contexts (Kraas 2007). Knebel & Kolhatkar (2009) have argued that traditional western governance models produce slow and incremental change and are therefore unlikely to gain much traction in emerging megacities such as Addis Ababa. Eastern or ‘soft-authoritarian’ models manage the challenge of size and speed but may be unsustainable in the long run. These megacities will have to balance Western and Eastern approaches.
2.6 Rural hollowing

During processes of urbanisation, levels of poverty amongst rural populations are likely to be higher than amongst urban ones (Simler & Dudwick 2010, UN-Habitat 2011). In China, rapid urbanisation has led to the wasteful use of land resources and imposed obstacles on the optimization of land use and coordinated urban-rural development (Lui et al 2010). A number of factors drive a process of ‘rural hollowing’, which include economic changes, changes in land ownership and land use policy and institutional barriers. In China, one particular problem is the failure to provide urban migrants with permanent residency rights, which encourages them to maintain ownership of rural properties that remain largely unused (Lui et al 2010).

3. Cross-cutting issues

3.1 Multi-level governance

The need for municipal authorities to work effectively with a range of other governance actors at a range of levels has been increasingly recognised in the literature (IB comments). Urban governance arrangements are becoming more complex: ‘trends for horizontal co-operation in metropolitan regions tend to highlight a complex set of multi-layered metropolitan governance frameworks’ (OECD 2010, p.165).

One of the key strategies used by municipal bodies for dealing with the challenges presented by urbanisation, and in particular the need to expand and improve service provision, has been to work more closely with the private sector. Public-Private Partnerships (PPPs) are increasingly important for the financing of large public investment projects (OECD 2010, Clark et al 2010). Several studies emphasise the need for urban authorities to work more closely with civil society as a means of boosting transparency, accountability and broader public participation (Clarke et al 2010). In some slums in India, slum dwellers’ organisations have taken the lead on improving service provision by collecting their own census data. Even in China, where civil society activity is limited, some groups have contributed to decision making at the local level (ibid.).

3.2 Demand-side governance

Most donor support for urban governance to date has focused on the supply side (including improvements in systems and internal capacity), with less emphasis on demand-side governance, which includes participation in budgeting and investment planning and increasing the voice of citizens on service delivery (World Bank 2010). Amongst OECD countries and donors, however, there is a growing emphasis on demand-side approaches to governance (OECD 2010). The World Bank’s (2010) new strategy emphasises the importance of demand-side governance approaches. These approaches rely on new data-collection techniques such as citizen report cards and service delivery surveys. The importance of greater participation and transparency in addressing the governance challenges raised by urbanisation is raised in a number of studies discussed in section two.
3.3 **Political economy approach**

A number of studies have emphasised the importance of understanding the political economy of urban development (Clarke Annez & Linn 2010, Desai 2010, Alm 2010). The **urban poor often lack agency and have limited ability to influence urban or national policymaking processes**. Desai (2010) argues that greater research is needed in three areas: to understand how decentralisation can improve the political agency of the poor, to assess how membership organisations form and function on behalf of the poor, and to examine how microfinance programmes can empower the poor.

3.4 **Regional approach**

OECD countries are increasingly adopted a regional approach that recognises the interconnectedness between urban and rural areas (OECD 2010). This trend is connected to the **emergence of 'city-regions' or urban agglomerations**, which throws up new governance challenges and is highlighted as a key emerging issue in a number of studies. The interconnectedness between urban and regional development is now considered a new ‘driver’ of planning and development strategies and ‘requires new forms of urban-regional governance’ (Clarke et al 2010, p.iv). A conference report by Clarke et al (2010) argues that organising cross-boundary cooperation around a shared agenda to manage intraregional infrastructure needs, such as energy distribution and transportation links, is a particularly effective strategy. UNIDO (2009) have argued that policies of regional integration could act as a significant spur to growth in Africa by encouraging the growth of large cities.

3.5 **Data and knowledge management systems**

One of the main challenges for urban governance is developing the capacity of municipal authorities to deal with the future (IB comments). A number of studies and reports highlight the important role played by emerging **knowledge management systems** in improving local and national governments’ capacity to cope with the challenges posed by urbanisation (IB comments, McCartney 2010). Baud et al (2011) argue that ‘participatory spatialised knowledge’ will play a key role in ensuring that urban governance moves from something that is primarily government-led to a process wherein networks of different actors participate in governance networks.

A large number of **new analytical and planning tools** are now available including ‘happiness and life satisfaction analysis, urban poverty assessments, asset-based policy analysis and longitudinal studies, GIS mapping, impact evaluation, metrics of the investment climates, ICT in public administration and various national, urban and city planning tools’ (Clarke Annez and Linn 2010, p.7). ‘Many of these analytical tools are the result of four relatively recent developments in analytical methods which have been developed to underpin evidence-based policy making: development of survey techniques, including large-scale even world-wide surveys; development and application of advanced statistical and econometric methods; and ease of access by analysts to much enhanced computing capacities’ (ibid.). As a result, **data and benchmarks** have become more important in urban policymaking, which have facilitated a more systematic focus on demographic and socio-economic information and improved measurement of land use (ibid.). At the same time a number of international institutions such as UN-Habitat and the Cities Alliance have to measure these trends at the international level. Kharas et al (2010) argue that there is a need to develop indicators, measure results and provide metrics for urban development that can be readily collected at a city level and aggregated to the country level.
3.6 Financing and Financial Management

A number of studies and experts highlight financing and financial management as key issues facing rapidly urbanising cities (McCartney 2010, MD comments). One expert argued that ‘financial management’ is the critical issue in improving urban governance: ‘the way local governments decide on their budget, how they prioritise utilisation, how they spend and procure and how revenues are generated has a significant impact on the quality of urban service delivery. Financial management is tackling nearly all aspects of good governance such as transparency, accountability and it may open the door for effective participation of the public in urban decision finding processes’ (MD comments). Cities’ revenue gathering capacity has often been undermined by a high level of informality and a lack of capacity (Simler & Dudwick 2010).

Rapidly growing cities find it challenging to find appropriate funding sources for infrastructure and service provision (World Bank 2010). Often national governments devolve responsibility for service delivery to local government but maintain control of the main resource mechanisms (World Bank 2010). One method of generating funding locally is value capture tax, which seeks to capture a portion of a property’s increased value. User fees can also help to relieve infrastructure bottlenecks or improve service quality. Some cities have introduced proper pricing of environmentally sensitive services such as waste collection, water treatment or transportation to ensure financial sustainability and meet environmental goals. Examples of this kind of intervention include congestion charging and parking fees (OECD 2010). Alm (2010) argues that there is no simple principle or model of expenditure and revenue assignment for urban infrastructure and stresses that agencies should generate more and more reliable data on the various dimensions of infrastructure finance and on the administrative capacity of local governments.

3.7 Decentralisation

Decentralization has been widely used to address the ‘crisis of governance’ experienced in many rapidly urbanising cities since the early 1990s (Simler & Dudwick 2010). In many contexts, decentralisation programmes have been undermined by lack of transparency, duplication of public and parastatal agencies and an over-centralisation of administration (Simler & Dudwick 2010). In a number of contexts (including Ethiopia), rapid urbanisation has coincided with a new decentralisation process. This has meant that city administrations have limited experience in governance and they can often be overwhelmed (MD comments). A recent report on urban governance in Africa (UN-Habitat 2011, p.3) notes that decentralising authority to local administration without fiscal decentralisation ‘contributes to urban decay, poor services and the proliferation of slums’. It argues that fiscal decentralisation must match political decentralisation, a point echoed by Simler & Dudwick (2010). It notes that many urban managers underestimate the risks associated with urban food and water insecurity.
4. Bibliography


5. Additional Information

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Selected websites visited

Centre for Regional Agriculture and Rural Development, City Futures Conference, Brookings Institution, Chance to Sustain, Eldis, Geneva Declaration, GIZ, Google, Google Books, Google Scholar, GSDRC, IIED, Informaworld, Lincoln Institute of Land Policy, OECD, UNDP, UNEP, UN-HABITAT, UNIDO, Scribd, World Bank

Experts consulted

Isa Baud, University of Amsterdam
Martin Dirr, GIZ
Arne Tostensen, CMI
Ansa Masaud, UN-Habitat
Caroline Moser, University of Manchester
Shahadat Hossain, University of Dhaka
Fulong Wu, University of Cardiff
Elkin Velasquez, UN-Habitat

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