

EXPERT GROUP MEETING
THE ROLE OF METROPOLITAN DEVELOPMENT
IN SUPPORTING THE NEW URBAN AGENDA

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ANNEXE I: BACKGROUND PAPER - METROPOLITAN GOVERNANCE¹

¹ This paper is based on a recent study published by the GIZ and UN-Habitat “Unpacking Metropolitan Governance” <http://unhabitat.org/books/unpacking-metropolitan-governance-for-sustainable-development/>

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INTRODUCTION

Why is metropolitan governance needed?

Continued urbanization around the world - and natural population growth – are creating larger cities and local economic areas, particularly in developing countries. With improved transportation, people are able to commute over longer distances from villages or towns to larger urban areas, and with current communication technology advances the functional economic areas are becoming larger. As a result, cities are becoming increasingly economically interdependent with their surrounding settlements and rural areas, constituting what we call metropolitan areas or regions (MR), city-regions, or extended urban regions — each a single economy and labor market, a community with common interests and benefits of some joint actions. The economic links between the core and the periphery may become so close that one part cannot succeed without the other, and thus they are perceived and behave as a single entity. Inter-dependencies characterize the formation and emergence of a metropolitan area.

The jurisdictional boundaries of local governments tend to have a long history, but the urban growth often change an area’s character over time. Therefore, a metropolitan area usually includes a number of independent local government (LG) jurisdictions. A metropolitan area may emerge or be formed either through outbound growth of a city or through a gradual expansion and integration of various “satellite” settlements that at some point form an interdependent, agglomerated metropolitan area.

Box 1: Key Reasons to Focus on Metropolitan Governance

Urban areas are growing fast – particularly in developing countries. Metropolitan level coordination and governance is often needed to address the stress on local governments to provide infrastructure and services, enable economic development, and address urban poverty and inequity. ... **not only megacities, but secondary cities as well.** We tend to think about metropolitan governance issues mainly in areas with more than 1 million people or so. However, there are around 2,500 cities with population between 100,000 and 750,000; many struggling with similar issues.

Commuter areas and local economies change over time, often making jurisdictional boundaries outdated. Changes of an area’s character require new arrangements or institutions to coordinate developments at metropolitan area-scale, in addition to efforts by each individual LG.

Metropolitan governance helps overcome fragmentation, inequity, spillovers, and dysfunctional governance systems. Fragmentation of some public service provision (e.g. transport, drainage, sewage collection, waste disposal, etc.) may result in higher costs for the local governments. Air or water pollution, flooding, crime, etc. does not respect jurisdictional boundaries; coordinated responses are needed.

The MRs are the economic backbone of most countries, making multi-level governance essential. To capture the potential and productivity of MRs, not only horizontal coordination is required at the local level, but also vertical governance integration among the various levels of government in a country (usually local, regional and national).

“Getting more for less” - Cost savings. Efficiency gains can be achieved by integrated territorial

planning and some coordinated service delivery; particularly where economies of scale can be achieved. Integrated strategic planning, linking spatial plans to land and infrastructure development, public finance, and long-term financial plans, is needed to ensure that resources are not wasted.

Tradeoffs need to be addressed. In choosing a governance structure one needs to weigh: (a) the potential for economies of scale and service coordination efficiency, and the need to address area spill-overs and disparities; while (b) ensuring transparency, accountability and government responsiveness.

Expertise and good examples of metropolitan governance exist in OECD countries, where cities have for decades addressed issues of metropolitan governance, creating various governance arrangements. Although these need to be tailored to national and local conditions, they provide useful reference material for the rapidly growing cities in developing countries to draw on.

Few MRs in developing countries have sufficient capacity to address the subject of metropolitan governance comprehensively. Metropolitan governance is a cross-jurisdictional, cross-sectoral, and often politically challenging subject. Institutional reform needs to be carefully prepared and implemented to achieve a sustainable, equitable, efficient, and accountable MR.

The subject tends to get “political” – why objective, third-party advisory is useful. International experience suggests that “politics”, rather than efficiency and equity concerns, determine (or blocks) the choice of governance structure. Spillover effects and potential cost savings may provide incentives for inter-governmental dialogue, but it may take a neutral facilitator to guide – or even catalyze – such a process. Win-win solutions need to be sought for all involved.

As metropolitan areas emerge and grow, the need for metropolitan-level management increases. Metropolitan regions usually need some form of institutional arrangements (formal or informal) to coordinate their development or undertake some joint functions for more efficient and equitable service provision and cost sharing, in addition to efforts by each individual local government. A lack of such arrangement tends to reflect missed opportunities.

Significant regional differences exist

International experience shows a great diversity of metropolitan models, particularly across Europe and North America (OECD 2006; Slack 2007). In East Asia, China, Japan and South Korea have consolidated metropolitan governments for their larger cities (Yang 2009). Many large cities exist in South Asia, but few effective metropolitan governance approaches have yet emerged. Although Latin America is home to many large cities, the frameworks for metropolitan governance in the larger cities are still not fully developed. Sub-Saharan Africa is rapidly urbanizing, but most cities lack effective institutions to govern at metropolitan scale. Where institutional arrangements at local levels are lacking or weak, the main coordination tend to be exercised by regional governments; for example in Lagos State, Nigeria; state governments in India; and in many of the states of Brazil. In Australia, public transport and some other functions usually considered “local”, are managed by the provincial governments.

1. ENGAGING INTO METROPOLITAN GOVERNANCE

Common Entry Points (“triggers”)

In each case of metropolitan governance reforms, a particular local issue has usually triggered the reform process –sometimes by the authorities in the region (“bottom up”), sometimes by higher level governments (“top down”). Examples are as follows (city examples are provided in the report):

Joint service delivery to save costs. A metropolitan body (owned by the LGs in the area or established by a higher level government) is formed to provide one or more services, to some or all of the local jurisdictions in the region, to gain from economies of scale.

Regional land use planning and development. Land management issues tend to be a common starting point for metropolitan level discussions. The land market tends to be viewed as one in a metro region, and has significant fiscal importance for local governments.

Strategic Planning / Integrated Territorial Planning and Development. Comprehensive cross-sectorial, place (area)-based strategic development planning is being promoted internationally. City development strategies tend to benefit from broad regional level analysis.

Economic development. Collaboration by the local governments in the region for the purpose of stimulating economic growth and employment.

Fiscal inequality (tax base). Initial coordination initiative may be motivated by fiscal inequality in the region – some jurisdictions having a strong tax base (e.g. residential suburbs) and some a weak tax base (e.g. in a core city with mainly office space).

One dominant actor with strong capacity. A variation on the cost saving argument: if one local authority is dominant – often both in terms of size and human and financial capacity - it may be of mutual benefit that they provide services to other jurisdictions on a contract basis.

Specific Sector or Subject Matter as Trigger. It is not uncommon that an issue in a specific sector or development subject triggers initiatives at a metropolitan scale. For example, transport disaster risk management, air pollution, waste disposal, water resource management, etc.

General coordination needs. In some cases, a metropolitan level council or committee, or even a separate metropolitan body, is established to respond to the need for general coordination.

A conceptual division of service provision responsibilities between local, metropolitan, and national levels of government is proposed below.²

² If the responsibility for a function is divided between the metropolitan level and local authorities (or central government), a risk of confusion, lack of accountability, and “finger-pointing” could exist, unless the division is made very clear and easy to understand by the citizens.

Table 1: Metropolitan versus Local Service Provision Responsibilities (X =Conceptual (as per “general theory”))

No	Function	Metro level*	Local Auth.	Central Gov't.	Private sector	Rationale	
1	Local Economy	Strategic city dev. Planning	X	X		Externalities	
		Economic development	X	X		Externalities	
		Tourism promotion & management	X			Externalities	
		Major markets	X	X		Externalities	
		Informal economy		X		Responsiveness; limited external. & redistrib.	
2	Land Management	Regional land use planning	X			Externalities	
		Local land use planning		X		Local access, responsiveness	
		Land allocation		X		Responsiveness (although some externalities)	
		Land surveying		X		X	Responsiveness (scale economy if specialized)
		Titling / provision of tenure		X			No externalities (possibly scale economies)
3	Housing and Community Facilities	Housing		X		X	Responsiveness; limited external. & redistrib.
		Social (low income) housing		X		X	But some redistribution and some externalities
		Community upgrading		X		X	Local responsiveness; limited externalities
		Cultural facilities	X	X		X	Economies of scale vs. local responsiveness
		Parks and recreation facilities		X		X	Local responsiveness
4	Transport	Roads and bridges	X	X		X	Main (arterial) roads vs. local (street) roads
		Public transit (e.g. buses)	X	X		X	Externalities; economies of scale
		Street lighting		X		X	No (or limited) externalities
		Street cleaning		X		X	No externalities
		Car parking		X		X	No externalities
5	Security	Police protection/security	X		X		Externalities; economies of scale
		Traffic management		X			Local responsiveness
		Fire services/suppression &	X	X			Specialized services (scale economies) vs.

		emergency/rescue services			basic services	
		Ambulance services			Economies of scale; externalities	
6	Water, Sanitation and Waste	Water supply system	X		Economies of scale	
		Drainage/flood protection	X		Economies of scale (externalities re. drains)	
		Piped sewerage system	X		Economies of scale	
		Solid waste collection		X	Less economies of scale and externalities	
		Solid waste disposal	X		Economies of scale (e.g. landfill); externalities	
7	Education, Health, Social care	Education		X	X	Primary and secondary education vs. higher education
		Public health	X		X	Income redistrib.; economies of scale; external
		Welfare assistance		X		Income redistribution; externalities
		Child care services		X		X
8	Power	Power supply (electricity)			X	
9	Other	Libraries		X		Local responsiveness
		Promotion of major events	X			Externalities
		Business licensing		X		Local responsiveness; no externalities
		Local agriculture				X

Enabling Factors and Constraints for Metropolitan Governance Reform

Particularly important enabling or facilitating factors for development of stronger metropolitan governance arrangements are essential pre-requisites for any effective metropolitan governance. The lack of them is usually constraining or limiting such initiatives.

Table 2: Enabling and Constraining Factors for Metropolitan Governance Development

Enabling Factors	Constraining Factors
<ul style="list-style-type: none"> • Laws / regulations allowing (or promoting) MG arrangements • Supportive higher level government(s); e.g. providing incentives. • Political support from all (or a critical number of) local governments in the metropolitan area, including the core one • Clear division of functions between levels of governments and various local governance bodies • Availability of reasonable institutional, administrative and/or financial capacity for any additional governance arrangements • Success stories in concrete coordination of management of services/infrastructure 	<ul style="list-style-type: none"> • Laws / regulations discouraging, limiting, or prohibiting MG arrangements • Discouraging higher level government (e.g. due to different agendas) • Parochialism and governance fragmentation (lack of local support) • Reluctance of richest local governments and their constituencies to engage and share, sub-delegate decisions/powers to metropolitan arrangements • Uncertainty about “who is responsible for what”; overlapping expenditure responsibilities; • Limited institutional, administrative and/or financial capacity at local level

2. FORMS OF INSTITUTIONAL ARRANGEMENTS

Various institutional approaches

While most metropolitan regions in the world do not have well established governance arrangements for coordinating and financing actions at that scale (Metropolis 2014), the following four types of institutional approaches have been applied in cities, albeit mostly in OECD countries to date.

Inter-municipal Cooperation Mechanisms (in a fragmented governance structure)

Examples: Paris, France; Milan, Italy; Ruhr, Germany; Greater Toronto, Canada; Brazil.

These arrangements may take the form of committees, commissions, working groups, consultative platforms, etc. or more city associations or consortiums. They can be temporary or permanent bodies for coordination; sometimes on a specific issue, topic or investment project; sometimes for broad-based collaboration. The local governments would join forces when it clearly benefits them and their constituents, compared with acting independently.

Metropolitan / Regional Authorities.

Examples: Vancouver; Manila; Delhi; and common in France and USA.

A regional authority is an independent legal entity, for planning and/or service delivery to make better use of the public resources of the local governments in the area.³ Two or more local governments may associate in this way to achieve economies of scale. For example, for a transport network, jointly operate a waste disposal facility, etc. Some countries (e.g., France, Poland, Brazil and Italy) have established a separate legal framework for such arrangements.⁴ The approach is an administrative integration, with member governments represented on the governing board or council. Regional authorities (sometimes as utility companies), can usually levy user charges for services provided, and/or collect from the member local governments. Some regional authorities have been given more extensive taxing powers (e.g. Vancouver).

Many variations of a Regional (Metropolitan) Authority exist.

- Created for planning purposes only, or for planning as well as service delivery;
- Created for a single sector (e.g. transport) or for multiple sectors;
- Having advisory authority only, or full decision-making powers for the sector(s)
- (or making decisions which need to be ratified by each local government council);
- Having a council: (a) appointed; (b) indirectly elected (by the member local governments); or (c) directly elected by the residents of the metropolitan area.

Second Level Metropolitan Local Government (or a Regional Government established by a higher tier government)

Examples: Directly elected (e.g. Stuttgart, Germany; London, U.K.); appointed by a higher-tier government (e.g. Minneapolis-St. Paul, USA).

The responsibilities for regional coordination, and some service delivery functions, may be vested with a separate local government (not necessarily hierarchically above the other local governments in the area in terms of reporting relationships).⁵ Second level metropolitan governments – and regional authorities as well - carry a risk that the access by residents will be negatively affected, and thereby accountability weakened or unclear due to the more diverse and complex institutional structure. It is therefore in these cases particularly important to make it clear to residents “who is responsible for what”.

Metropolitan governance reforms have rarely emerged from local government initiatives only though. A national or provincial government has usually initiated change by either imposing or encouraging it (OECD 2006). However, although a metropolitan government may be established by a higher-tier government, experience shows that such institution will often be weak unless they are supported by the local governments in the area with which it must work. (Slack 2007)

Consolidated Local Government (Annexation or Amalgamation of Local Governments)

Examples: Cape Town, Istanbul, Toronto.

³ Such arrangements are often called “special purpose associations” or “special purpose districts” in the United States.

⁴ In France these are called *communauté urbaine* (“urban community”) or *syndicats inter-communaux* (“syndicate”).

⁵ For example: (a) no substantial authority over them (Dar es Salaam); (b) limited authority (Budapest); or (c) substantial authority over the area’s lower-level local governments (London; and cities in China).

Annexation or amalgamation can be effective to achieve efficiency and equity in public service delivery, reducing institutional complexity. Yet it tends to be politically controversial, usually requiring the active involvement of a national or a regional government. Few amalgamations have achieved coverage of an entire metropolitan area; usually because of the local political dynamics. The exceptions are the municipalities in South Africa (e.g. Cape Town's boundaries cover about 95 percent of the people who live and work there). A jurisdiction that covers a large portion (or all) of the metropolitan area can facilitate equalization in the area since it would have one tax base. However, with a larger jurisdiction, the access by residents to their local government may be affected and the local accountability weakened. While cost savings usually occur through scale economies, harmonization of service and salary levels across the new local government may be standardized based on the local government with the highest level, and thereby result in higher costs. (Slack 2007 re. Toronto).

NOTE: Various arrangements may exist in a metro area at the same time. E.g. a second level metro government, one or more authorities (for transport, water, etc.), while still some local governments may engage in inter-municipal cooperation on other specific topics.

Assessment

To achieve a sustainable, equitable, efficient, accountable and pro-citizen engagement MR, in principle, any of the mentioned arrangements may work well. It depends on how they are implemented and applied. Many challenges and constraints usually need to be overcome in each case though. For example, *good intentions has not always translated into intended outcomes (Examples: Dar es Salaam, Nairobi, and Manila)*. Lack of authority, lack of commitment among the local governments in the area, or lack of financial sources are common pitfalls. Also, any metropolitan governance body needs to earn the command and respect from the local governments it is intended to coordinate. In metro areas with one dominating local government, motivation of both large and small local governments is needed for joint, coordinated efforts. It has also been a challenge in many cities to create a governance arrangement for the whole metropolitan area (Examples: Manila, London, Toronto).

Table 3: Advantages and Disadvantages of the Various Metropolitan Governance Arrangements

Conceptual model	Advantages	Disadvantages
1. FRAGMENTED GOVERNANCE - WITH SOME INTER-MUNICIPAL COORDINATION (HORIZONTAL COOPERATION AMONG THE LOCAL GOVERNMENTS)		
Case-by-case joint initiatives (agreements among local authorities)	<ul style="list-style-type: none"> . Useful for areas where limited inter-dependencies exist among local governments (or for a small area with only two local governments). . Can be an initial stage to gain experience and build trust for joint efforts among the local governments. . Possible approach when more permanent and formal arrangements are constrained by politics or prohibited by legal frameworks. 	<ul style="list-style-type: none"> . Usually limited in scope (e.g. an event or an urgent issue). . No commitment to address a need on a longer term basis, if that is what is needed (sustainability).
Committees, commissions, working groups, consortiums, partnerships, consultative platforms, etc.	<ul style="list-style-type: none"> . Temporary or permanent bodies for coordination. (Sometimes they have character of networks rather than institutions.)^a . Flexible approaches. 	<ul style="list-style-type: none"> . Often with an advisory role only.
Contracting among local governments.	<ul style="list-style-type: none"> . One local government can specialize in a particular service or function, for the benefit of all local governments in the metro area. . Useful when one of the local governments dominates in terms of human and financial capacity. 	<ul style="list-style-type: none"> . The contracting local government still needs to monitor the quality and coverage of the service provision (<i>contracting out does not mean abdicating responsibility for the service or function</i>). . Risks: (i) access by residents to the service provider may be affected; and (ii) the accountability may be weakened or unclear to residents.
2. METROPOLITAN / REGIONAL AUTHORITY ^b		
Metropolitan council of governments (COG) (<i>and similar arrangements</i>)	<ul style="list-style-type: none"> . A forum for the member local governments to address topics of common and regional interest, while maintaining their decision authority (if decisions require endorsement by their local councils). . Can provide some flexibility if members can join and exit easily. 	<ul style="list-style-type: none"> . Impact depends on: <ul style="list-style-type: none"> (a) the financial and human resources mobilized or allocated to the COG, and (b) the degree of coherence among the member local government councils regarding views on metro issues.
Regional planning authority (with or without authority to implement)	<ul style="list-style-type: none"> . Permanent focal point for metropolitan (regional) planning. . Specialized, metropolitan-level analytical resources (highlighting 	<ul style="list-style-type: none"> . Risk of limited impact if their role is advisory only. . Requires significant institutional capacity and

or enforce plans).	spillovers, opportunities for scale economies, inequalities, etc.).	resources to be effective.
Regional service delivery authority (as a public entity or utility company).	<ul style="list-style-type: none"> . Achieving economies of scale (efficiencies) for certain services. . Engagement by local governments as “owners” of the authority (the service provision responsibility is “delegated” to the authority) . If corporatized (utility company), it may facilitate a transition to the service(s) being provided by the private sector or a public-private partnership (PPP) arrangement, as required. 	<p>Effectiveness depends on authority to levy user charges (tariffs), collect contributions from local governments, apply precept powers, or have earmarked transfers or tax authority.</p> <p>Risks: (i) access by residents to the service provider may be affected; and (ii) the accountability may be weakened or unclear to residents.</p>
Regional planning and service delivery authority (as a public entity or utility company)	Combination of the advantages for regional planning authorities and regional service delivery authorities above.	Combination of the disadvantages for regional planning authorities and regional service delivery authorities above.
3. METROPOLITAN OR REGIONAL GOVERNMENT		
A higher-level metropolitan <u>local</u> government.	<ul style="list-style-type: none"> . A “permanent” government structure for certain metro functions (appointed or elected directly or through lower-level local governments). . Specialized metropolitan-level resources. 	<p>. Effectiveness tends to depend on:</p> <p>(a) the degree of authority over the lower-level local governments; and</p> <p>(b) whether it has mainly planning functions or some service delivery functions as well.</p>
A <u>regional</u> government established by a higher-tier government (for a particular metropolitan area).	<ul style="list-style-type: none"> . A “permanent” government structure (directly elected or appointed by a higher-tier government) for certain metro functions. . Usually resourced directly from the higher-tier government. . Specialized metropolitan-level resources. 	<p>. Risks: (i) limited connection with, and engagement by, the local governments in the area (may be mitigated with strong local government representation); (ii) access by residents may be affected; and (iii) the accountability may be weakened or unclear to residents.</p>
4. CONSOLIDATED LOCAL GOVERNMENT (through amalgamation of local governments or annexation of territory)		
One jurisdiction covering essentially the metro area	<ul style="list-style-type: none"> . Facilitates metropolitan-level coordination . Facilitates addressing equalization and harmonization of services within the area (one tax base) 	<ul style="list-style-type: none"> . With a larger jurisdiction, access by residents to the local government may be affected, and local accountability may be weakened. . Local administrative offices or sector arrangements may still be needed.

a. OECD 2006

b. Sometimes called special purpose district (bottom-up, voluntary organization).

3. MECHANISMS AND INSTRUMENTS FOR METROPOLITAN GOVERNANCE

Political M&I

Many mechanisms and instruments are established by some form of governmental (political) decision, particularly any institutional ones. For examples: (i) Legislative frameworks or mentioning of “metropolitan region,” as a concept in a country’s constitution, or other national legislation (supports Sustainability); (ii) Election (as opposed to appointment) of any body in a metropolitan governance structure – be it a commission, metropolitan council, or metropolitan mayor or government – is an instrument for representation (supports Transparency and Accountability); (iii) Division of expenditure responsibilities (functions) between levels of government, and related authorities; particularly between the local governments and a regional government, influences the way a region is governed. Any entity established to coordinate subordinate localities or is responsible for service delivery at a metropolitan scale, should ideally be represented by, and accountable to, the entire jurisdiction and receive corresponding resources and authority (supports Transparency and Accountability); (iv) Financial incentives from higher level government. Cooperation among local governments can be enabled (“forced”) by incentives from a regional or national government (e.g., to be eligible for some funding) (supports Efficiency); (v) Government Statistics (Metropolitan Statistical Area (MSA)). At a country level, a useful instrument is for a national statistical agency to periodically collect data (e.g. at least in conjunction with national censuses) on a metropolitan area basis; e.g. to be a benchmarking tool for cities. (supports Transparency and Accountability).

Institutional M&I

A specific institutional arrangement for metropolitan governance to address certain joint issues or services among local governments may be:

- . For a specific issue, purpose or sector, or for broad-based governance
- . For planning and/or implementation
- . Formal or informal
- . Covering all or only some jurisdictions in the area

Multiple arrangements may exist in an area for different purposes, and with different geographical / jurisdictional coverage.

Institutional arrangements can be classified as follows:

1. Fragmented Governance – with some Inter-Municipal Coordination ((horizontal cooperation among the local governments)
 - Ad hoc cooperation among local governments / Case-by-case joint initiatives
 - Committees, commissions, partnership agreements, consortium agreements, etc.
 - Contracting among local governments
2. Metropolitan / Regional Authority

- Regional authorities (metropolitan council, regional planning authority, service delivery authority, regional planning and service delivery authority)⁶
- 3. Metropolitan or Regional Government
 - Metropolitan-level local government
 - Regional government established by the national government
- 4. Consolidated Local Government
 - Territorial annexation or amalgamation

The choice of arrangement for a particular city area depend on a number of local factors; for example, the laws and regulations of the country; the division of responsibilities (functions) among government levels and related fiscal and other relations; a strong tradition of local autonomy or not; and the revenue sources available to the local governments.

The literature generally argues that:

- Maintaining smaller local government (One-tier Fragmented Structure / Territorial polycentrism) with inter-municipal cooperation and agreements, tend to be stronger with regard to *Transparency and Accountability, and Civic Engagement and Citizenship*; while
- Larger municipalities, metropolitan authorities, and a two-tier structure tend to represent stronger response to *Sustainability, Equity and Efficiency* objectives.

Other examples of institutional arrangements are: (i) Metropolitan Planning and Development Agency, either for land use planning and real estate development only (e.g. as in Delhi, India and Dhaka, Bangladesh), or for broader development mandates (e.g. earlier London Development Agency). Such agencies are usually self-financing. They may receive state or municipal land for development and sale as real estate; (ii) Inter-municipal Consortium (encouraged by federal law in Brazil since 2005); and (iii) arrangements for particularly Active Incorporation of the Civil Society and the Private Sector (e.g. in Belo Horizonte, Brazil).

Financial M&I

The success of metropolitan-area public finances depends to a large extent on how the vertical intergovernmental relations are structured. Fragmented local government structures in metropolitan areas are usually highly dependent on intergovernmental transfers or on spending by higher-tier governments. (Bahl et al 2013) Financial considerations are often among the prime incentives to form special metropolitan arrangements, either through a bottom-up process by the local governments or as a top-down decision by a higher-level government (provincial or national). Examples of mechanisms and instruments are:

Cost Sharing Arrangement for Metro-wide Service Delivery, for example for transport, waste disposal, flood management, or a specialized service.

Municipal or Metropolitan Development Fund. A fund for capital investments with joint mobilization of funds from various levels of government, borrowing (as appropriate), etc..

⁶ Sometimes called “special purpose districts”

A local tax-sharing system can be appropriate when significant income disparities exist among local jurisdiction; i.e. harmonizing revenues and expenditures in a region.

Coordinated tax or fee policy agreements, for example, harmonized tax base, tax rates or tax administration principles between the local governments to prevent tax and fee competition.

Collection of user charges, property taxes, and earmarked taxes, for example, road, payroll, or gas tax to fund transport services. This can be authority given to a metropolitan body (even authority to capture part of the transfers to local governments from a higher level government).

Pooling financial resources for a particular purpose; for example, promotion of the area to attract firms, to be a stronger competitor for a regional or international event, to obtain a bank loan on slightly better terms, or to promote tourism in the area.

Multi-source Infrastructure Finance is often necessary for particularly large investments of common interest (for example, a transport link, a sports stadium, a conference center, etc.) Funding may be a combination of grants from a higher level government, joint borrowing, the local government budgets, and a project-specific betterment fee or one-time tax on direct beneficiaries (usually real estate and business owners).

Issuing Infrastructure Bonds. In countries where bond issues at sub-national government levels are allowed, joint mobilization of such long-term funds for a metropolitan-scale infrastructure investment program may strengthen the bond issue (a lower bond rate).

Private-Public Partnerships (PPP) may be more viable and cost-effective to arrange for investments or services at a metropolitan scale, due to larger size or volume for an operator; e.g. in the transport, waste, or water/sanitation sectors.

Social M&I

Public debates, roundtables, town-hall meetings, media coverage, etc. on the subject of metropolitan governance can help highlight specific needs for inter-municipal cooperation and action, and create common goals and constituencies (supports Civic Engagement and Citizenship; Transparency and Accountability). Coordinated programs for poverty alleviation may also in some cases have an advantage over individual local government efforts. For example, related to land titling (if administered at a local government level), urban (slum) upgrading initiatives, facilitation of “group/community savings programs”, and other local strategies to support the household enterprise sector.

Table 4: Overview of Mechanisms and Instruments

	Mechanism / Instrument	Main characteristics	References
Political M&I	Legislative mentioning (or framework)	Mentioning of “metropolitan region” in a country’s constitution, or other national legislation	Brazil, France, Italy, Poland
	Election of a metropolitan body (direct or indirect)	Instrument for representation (versus appointed)	Barcelona, London, Quito
	Clear division of expenditure responsibilities	Between levels of government, and related authorities	Various
	Incentives from higher level government Statistics	Metro level planning requirement for funding Periodic collection of data on metropolitan area basis	USA, EU, France, India USA
Institutional M&I	Institutional arrangement	Specifically for metropolitan governance	Various
	. Small local governments . Large municipality	Fragmented governance with inter-municipal cooperation Consolidated local government	Brazil South Africa, China
	Active Incorporation of Civil Society and the Private Sector.	E.g. with a Metro Conference (forum for participation)	Belo Horizonte, Brazil
Financial M&I	Cost Sharing Arrangement Municipal or Metropolitan Development Fund.	For metro-wide service delivery Capital allocation vehicle	Various Georgia, Lithuania, India, East Africa, South America
	Local tax-sharing Coordinated tax or fee policy agreements	Harmonize revenues and expenditures E.g. harmonized tax base and tax rates	Twin Cities, USA ; Lyon, France Marseille, France,
	Collection of user charges, property taxes, other taxes	E.g., road, payroll, or gas tax to fund transport services	Vancouver, Canada
	Multi-source Infrastructure Finance Issuing Infrastructure Bonds	Including funding by beneficiaries (land/ business owners, etc.) Mobilization of funds for investments	Rosario, Argentina; Washington, DC Ahmedabad, India; Shanghai, China; Portland, USA
	Private-Public Partnerships (PPP)	Risk sharing	
Social M&I	Public debates, roundtables, town-hall meetings, media coverage, etc.	Participatory processes	Various
	Coordinated programs for poverty alleviation	E.g. for land titling, urban upgrading, and “group/community savings programs”	East Africa
Se ct	Benchmarking	Indicator based city-to-city comparisons	

4. POLICY RECOMMENDATIONS

Recommendations Based on International Experience

Provide a legal / regulatory framework which specifically allow or promote MG arrangements (France, Colombia, and Poland) to create an environment conducive to reform initiatives by local or regional/provincial governments. Legal/regulatory provisions can also be important “change drivers or accompanied by suggested frameworks, guidelines or references to facilitate sub-national dialogues and processes. However, it is important to prevent that calls for legal/ regulatory measures become part of a political delaying tactic or “excuse” for not addressing the metropolitan governance issues at hand. Practices inform and can come before law.

Create incentives for metropolitan governance advances in the country. Legal/ regulatory frameworks and encouragements are often not sufficient and strongest incentives tend to be linked to financing. “Softer” ones may be in the form of recognitions or awards based on certain criteria. A regional/ provincial or national government may for example stipulate as conditions for access to certain funds.

Select a model based on national and local circumstances. Many governance approaches exist, each with their advantages and disadvantages (see section 2). Consider all options for improved metropolitan governance. *“No one size fits all”*. The most appropriate (and feasible to accomplish) governance structure for a particular MR depends on the national as well as the local and historical context. Different coordination arrangements will also vary according to the size. Anticipate and allow institutional and financial arrangements to evolve over time, as needs and circumstances change.

Focus on the process, as important as the outcome. Metropolitan arrangements may be formed through mainly a bottom-up process by the local governments in the metropolitan area, or through a more top-down process driven by a regional or national government. For a governance arrangement to be effective and sustainable, an extensive process of stakeholder consultation is required.

- ***Start simple and design for success.*** It is important that initial metropolitan coordination efforts are reasonably visible and become positive experiences to build on (have low risk of failure). A reform process may initially focus on non-controversial items, e.g. a joint training program, or a very visible joint investment project (sport, cultural); or a public service which has obvious cooperation benefits (e.g. solid waste disposal, crime prevention, flood protection).
- ***Agree on resourcing.*** Good intentions alone are not enough. It is important to be realistic, and ensure that this does not impede action or implementation.
- ***Be clear on “who does what”.*** This is not only important for the directly involved in a governance arrangement or instrument, but also important to for smooth operations to publicize clearly so that the public at large would know who they can hold accountable for what.
- ***Arrange adequate financing.*** Before launching any new mechanism, required financing to make it successful need to be agreed among the involved parties.

Strike a balance (“trade-off”) between efficiency gains and responsiveness and accountability. The process also needs to weigh: (a) the potentials for economies of scale and service coordination efficiencies, and addressing spill-overs and equity disparities in the metropolitan area; versus (b) the impact on the access of citizens to their local government as well as their respective responsiveness and accountability.

Ensure both horizontal (inter-municipal) and vertical (multi-level) coordination. Both a collaborative environment among the local governments, and well aligned policies and initiatives between levels of governments, are needed. Higher level government plans need to be consistent with local government plans and metropolitan decisions should also be reflected in local plans, based on close and iterative consultations.

Establish clarity on “who does what” (division of functional / expenditure responsibilities); among the involved local parties as well as between levels of government; particularly if any new commission, authority or level of government is introduced.

Create sustainable financing arrangements. Cooperative agreements need to be supported by agreed financial arrangements. This may, for example, include formula-based sharing of service expenditures, coordinated revenue mobilization (e.g. through user charges, property taxes, earmarked taxes, etc.), or joint funding (or joint mobilization of the funding) for investments. This process may require significant analysis and negotiation since the strengths of the revenue sources – available to each local government – may differ significantly.

Ensure strong support by the local governments. Independently of a mainly bottom-up or top-down process, it is the local constituents who will be most affected by any new governance structure. Cooperation among local governments may be encouraged by incentives – or even demanded - from a regional or national government through inter-governmental systems, legal frameworks, or specific financial incentives. However, international experience shows that no governance arrangements become effective and sustainable unless the local governments involved are actively supporting the arrangements (Slack 2013).

Considerations under some specific circumstances are commented on below.

Weak local governments’ capacities (human or financial) to fulfill basic local public functions. The priority of an initial development phase may be to strengthen this capacity before embarking on any comprehensive metropolitan governance reform. In case a metropolitan governance mechanism already exists, it should be explored if it would be more cost-effective to expand its mandate than creating any new bodies or mechanisms.

One dominant local government in terms of population, capacity, geographical area, or economic strength, it may not be unreasonable to have this local government taking the lead on any metropolitan arrangement or initiative.

Need for regional/ provincial government initiatives. In cases of extremely limited cooperation or interaction between the local governments in the MR – or similarly in case the local governments are responsible for very few functions, or have very limited autonomy – the only practical way of achieving metropolitan level coordination, may be that a regional/ provincial (or even the national government, depending on the context) asserts its power and takes such initiatives, and/ or takes the role of catalyst and facilitator to get local governments to come to agreements.

Strong private sector interests. When the private sector has a keen interest in a stronger metropolitan development focus (e.g. to strengthen an industrial cluster; to attract needed talent to the region, etc.), they may be mobilized as potential “driver” or catalyst of such change.

Enter into dialogue for practical application

Dialogue among the Local Governments in a Region

Any metropolitan governance arrangement needs the support and commitment of all (or at least most) local governments involved to be effective. They and their constituencies are the ones most directly affected.

Problem definition (“what”). It is always useful to get a clear understanding and agreement on the main perceived issues and opportunities for enhanced metropolitan governance early on in a development process.

Assessment of options (“how”). Some technical and financial analysis, and input (views) from local stakeholders, regarding response options is likely to be required before local councils would be able to productively debate the way to proceed. This may involve striking a balance (“trade-off”) between efficiency gains and responsiveness of the governance body.

The discussions would also **address factors such as the scope to be addressed; temporary or permanent arrangements; capacity to make it happen; stages of implementation; level of flexibility in terms of participation by a local government;** and questions such as:

- What institutional entity or entities (e.g. committee, consortium, authority, etc.) are envisaged?
 - Who will be responsible for what? And how will they be held accountable?
 - How would the local governments be represented and have influence on any decision with metropolitan-wide impact?
 - Would there be any appointed body? If so, how? By national or regional/ provincial entity, or by local councils? Would any electoral process be involved? If so, national government involvement will likely be critical.
- What instruments will be needed?
 - For planning, operations, monitoring & evaluation, etc.
 - For financing
 - For communication with the local governments, residents, etc.

Dialogue with National and Regional/ Provincial Levels of Government

General views and suggestions that may exist from the national or regional government levels. For example: (i) if these governments see a value in aiming for consistent approaches across their various metropolitan areas; or don't mind different approaches being used by different regions to gain experience on the subject; and (ii) views on monitoring and evaluation approach.

Depending on the circumstances, the higher level governments may need to “convince” the local governments of the relevance and value to them of some metropolitan scale initiatives and arrangements.

To what extent, if at all, any legal/ regulatory provisions need to be changed or put in place.

The commitment from national level: earmarking of national funding for metropolitan areas and related conditionality; discipline of national programmes to respect metropolitan plans.

Review of national/ regional sectorial policies, programs and projects to what extent they, or related communication channels, may be impacted by any proposed metropolitan arrangements and should be adjusted.

If any changes or enhancements to the current policies or frameworks for spatial planning and/ or financing of the local government level need to be (or should be) considered at the same time to ensure that such policies are well aligned across the government levels.

Dialogue with Other Stakeholders (in the Region and beyond)

The dialogues with other stakeholders in the region (resident groups, businesses, NGOs, environmental groups, research entities, etc.) should start as early as possible, for example through opinion polls, and fora for discussion and suggestions; and dialogue on the design of the process itself. It is particularly important that any cost/ benefit assessment of a change is communicated in simple and clear terms; and that any impact on residents is explained (for example, as public service users; as tax payers; as voters); and how the public will have access to any proposed new metropolitan governance bodies.

Development partners supporting the dialogue?

The focus of an initial advisory engagement may depend on what the main partner in the country consider as their key concern or interest for addressing the topic of metropolitan governance (“trigger” for the dialogue).

Joint service delivery to save costs. This will require a thorough cost study, determining the current cost structure and what the likely costs would be in a joint, region-wide arrangement. The more time consuming aspects, however, tend to be the determination of what kind of institutional arrangement would be most effective, its authority (mandate), governance and accountability structure, etc., and questions of sustainable and secured financing; and even more important, the support of stakeholders, both at the local level, and at regional and national government levels. Also, it could be an opportunity to open dialogue with international financial institutions (IFI) that are often approached to finance urban infrastructure/services projects, which sustainability would require improved or new metropolitan governance, financing or management arrangements.

One dominant actor with strong capacity. In such cases, the challenge is usually to find elements and initiatives for cooperation that would benefit the dominant local government (often a core city), who otherwise may view cooperation with smaller, less affluent satellite local governments of no interest. A dominant entity with strong human and financial capacity may “in return” offer to support the whole region with some specialized service (e.g. some procurement, advanced IT support). A DO as a neutral, trusted broker may be needed to facilitate such agreements.

Fiscal inequality in the region (due to different tax base). The most practical approach, and sometimes the only legally feasible one, may in many countries be to revisit the distribution mechanisms (usually formula-based) in the current inter-governmental fiscal transfer system, and determine what adjustments would achieve the intended objectives of enhancing the financial capacity of low income or lagging areas. On a more limited scale, compensation arrangements may be worked out at a local

level, by the richer municipalities compensating the poor ones if strong rationale and arguments can be found; for example, exploring if any “win-win” type of solution exist.

Regional land use planning and development. Land use planning is a subject that many cities do address at regional scale. Bottlenecks tend to become apparent once plans are made and submitted for approval. Vested interests can be varied and strong, and while land use plans tend to aim for a balance of different interests, they inevitably reflect potential “winners and losers”. A review of the planning processes, and related dialogue and participatory mechanisms, the decision-making processes, etc. may become the focus of the DO assistance and reform.

Local economic development Stimulating economic growth and employment, and attracting firms is usually best done on a city-region basis. Independently in which jurisdiction a firm would locate, residents across the area tend to benefit for jobs, including indirect effects on other businesses. DOs may have a critical role to play in facilitating cooperation between local governments of an area to avoid competition for the firms.

General coordination needs When the issue is a need for broad-based coordination among the local governments, the “convening” role of a DO tend to be particularly important. The task, however, is not only to facilitate for the stakeholders to identify common interests and benefits of joint or coordinated actions, but help design structures that everybody can accept and commit to.

Specific Sector or Subject Matter as Trigger The third-party could help in assessing and advertising local success stories to highlight the gains of metropolitan arrangements (usually related to service or infrastructure management) and place it within a metropolitan coordination perspective. While the institutional solution for a specific sector (e.g. transport, water supply, waste management) is often a regional sector authority or corporation, a variety of options need to be studied (ownership structure; should it have an elected or appointed board? What scope? What degree of authority?)

Determining a metropolitan governance structure

Bearing in mind the highly political nature of metropolitan governance design, the most appropriate (and feasible to accomplish) structure for a particular area needs to be designed within both the national and the local context, taking the following factors into account.

National context:

- The constitution and other relevant laws and regulations of the country
- The division of responsibilities (functions) among various government levels
- The principles for the inter-governmental fiscal system (national resource allocation)
- Relations between local and higher-level governments

Local context:

- The current local governance structure (e.g. number of jurisdictions; elected or appointed local bodies; characteristics of decision-making and governance processes)
- Access by residents to their local governments and accountability mechanisms applied
- Revenue sources available to the local governments

Basic Questions for national or regional/provincial level

- What are the main concerns of the government with regard to the metropolitan governance (or the lack thereof) in the country? (Examples could be the fragmentation of local government action; issues regarding spatial/ land use planning; growth of informal settlements; local transport networks; etc.)
- What benefits of a reform are sought? (E.g. service delivery improvement/ efficiency; economic development; reduced area inequality or crime; etc.)
- How many cities would be the main targets for reform? Are their circumstances fairly similar or different?
- What are the “parameters” within which the government wishes that the metropolitan governance advisory or facilitation would be carried out? (Note: The development organization may obviously suggest changes to these parameters if and when they would see this appropriate.). For example:
 - Is the metropolitan governance topic part of a broader reform program or not? (E.g. decentralization or realignment of functions between levels of governments; reforms of the fiscal transfer system; part of a regional development program; etc.)
 - Are legislative changes envisaged or not?
 - Any reason to focus more on vertical coordination (between levels of government) than horizontal coordination (among local governments) or vice versa?
 - To what extent are urban – rural linkages at the forefront of the subject?
 - Any key constraints to keep in mind (to give any recommended advice, or a reform process, a reasonable chance of implementation success)? (E.g. legal constraint; political ones; human capacity constraints; etc.)
- To what extent should subject-related capacity building of relevant stakeholders be in focus (compared to efforts regarding policy recommendations, suggested changes to governance structures, mechanisms and instruments)?

Basic Questions for local level engagement

- What problems of a similar nature exist among the local jurisdictions in the area that need to be, or might most effectively be, addressed jointly? Examples: public transport, solid waste disposal, road maintenance, and drainage.
- What opportunities would exist for the local governments to be stronger (e.g. financially), or more effective or efficient, by acting jointly? Examples of such opportunities may include city branding, attracting foreign direct investment (FDI), tourism promotion, and some procurements.
- Could the local authorities save public resources (gain efficiency) by managing some service delivery jointly rather than individually, for example, through economies of scale, coordination, and so forth?
- Could the problems and opportunities be addressed by a metropolitan agency or not? If yes, would such an agency be established and directed by the local governments, or by a higher-tier government? If not, why not (what are the constraints)? Would creating it require a lengthy legislative or regulatory process? If so, is it worth it?

- If a regional development agency already exist for certain functions, could their mandate be expanded to address some of the issues, or not? What would be the pros and cons?
- Would the identified problems and opportunities be better addressed through a higher level metropolitan-level local government or a regional government?
- Would amalgamation of some or all of the local governments in the area (or expansion of some jurisdictions) be an option to consider?
- How can it be ensured that the access by the citizens to the government, and the government responsiveness and accountability, would not be weakened?
- Should inequality (in income or service provision) among the local government jurisdictions be addressed by the national government (e.g. equalization element in the transfer system), or as a metropolitan issue by the local governments themselves as well, acting jointly?
- How could cost sharing within the metropolitan area be made fair with regard to spillovers (externalities) across jurisdictions (e.g. air pollution, people living and paying taxes in one jurisdiction but working in another)? Should it be addressed by national government via the transfer system, or as metropolitan issue by the local governments themselves, acting jointly?

Conclusions

Metropolitan areas are becoming “The New Normal.” With continued urbanization around the world, cities become more economically interdependent with their surrounding settlements and hinterlands, creating metropolitan areas with a single economy and labour market, a community with common interests and joint actions. Such areas need area-wide management for some functions. However, most metropolitan regions do not have well established governance arrangements for coordinating and financing actions at that scale (FMDV 2014). Cooperation among local governments may be encouraged by incentives – or even demanded - from a regional or national government through intergovernmental systems, legal frameworks, or specific financial incentives, but international experience shows that no governance arrangements become effective unless the local governments involved are actively supporting the arrangements. (Slack 2013)

Many governance approaches exist, each with its pros and cons. Main approaches are: (i) Inter-municipal cooperation (in cases of a fragmented governance structure); (ii) Regional authorities or special purpose districts (as bottom-up, voluntary organizations); (iii) Metropolitan-level governments (either as a second-level local government, or as a regional government established by a higher-tier government); and (iv) Consolidated local government (through amalgamation or annexation of territory).

No one size fits all. The most appropriate governance structure depends on the national as well as local context (the legal framework, local government responsibilities, the particular issues and opportunities for the area, institutional capacity and tradition, etc.). It may be formed through a bottom-up process by the local governments in the area, or as a top-down decision by a regional or national government. Both horizontal and vertical coordination (multi-level governance) is needed, and the metropolitan arrangements normally result from both top-down and bottom-up processes. Institutional and financial arrangements may need to evolve over time though, as needs

and circumstances change. Political viewpoints, rather than efficiency and equity, often determines the evolution of metro area governance and finance systems.

Tailored financing arrangements are needed. Examples of financial considerations in regional cooperation include tax sharing agreements to prevent tax and fee competition, and to harmonize revenues and expenditures across the metro area; cost sharing or a common budget for metropolitan-level initiatives, investments and services; coordinated revenue mobilization through user charges, property taxes, earmarked taxes, and so forth; and mobilization of multiple funding sources for large infrastructure with area-wide benefits. A municipal development fund at the national or regional level, with multiple funding sources, is sometimes used to support local capital investments.

Cooperate, don't compete. This is the essence of a metropolitan approach: to cooperate on certain topics, initiatives or services (while possibly competing on other in terms of service quality and cost-effectiveness). Cooperative agreements may include joint revenue mobilization, sharing service expenditures, and joint funding of investments.

Determining a structure. As mentioned above, determining the most appropriate institutional arrangement for a particular city area depend on a number of local factors; for example, the laws and regulations of the country; the division of responsibilities (functions) among government levels - and related fiscal and other relations with the higher-level governments; a strong tradition of local autonomy or not; and the revenue sources available to the local governments. In defining a governance structure one needs to weigh (a) the potentials for economies of scale and service coordination efficiency and the need to address area spill-overs and disparities, versus (b) the impact on residents' access to their government and its responsiveness and accountability.

Division of functions. In any metropolitan governance arrangement, there need to be clarity about functions and responsibilities among involved parties (not overlapping, be difficult to misunderstand, etc.), particularly if new authorities or a different level of local government is introduced. In addition, a risk of limited effectiveness tends to exist if a metropolitan agency has no independent authority (i.e. having an advisory function only).

Clear and reliable sources of funding. In order for a regional authority or metropolitan-level government to fulfill its functions, it is critical that it is assigned sufficient revenue sources to fulfill its mandates on a sustainable basis.

Local government commitment. A pre-requisite for effectiveness is that the metropolitan-level structure have the support and commitment of all local governments involved - independently if formed "bottom-up" by them or "top-down" by a higher level government. Depending on the circumstances, allowing individual local governments the flexibility to participate in some or all metro-level functions may also be an option.

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GUIDING AND FRAMING QUESTIONS FOR THE EGM PARTICIPANTS

TO BE COMPLETED after internal discussions – below some ideas

Main differences and common features between urban / local and metropolitan governance?

Regional differences?

How to converge governance- planning- finance?

UN-Habitat's added value and entry point?

Toward the New urban agenda:

what have we learnt in the past 20 years?

in the recent Montreal Conference?

Key messages to convene to Member states and stakeholders for the Habitat III preparations
?

EXPERT GROUP MEETING
THE ROLE OF METROPOLITAN DEVELOPMENT
IN SUPPORTING THE NEW URBAN AGENDA

Guadalajara (Mexico) 3-4 December 2015

With the collaboration of:



Agencia Andaluza de Cooperación Internacional para el Desarrollo
CONSEJERÍA DE IGUALDAD Y POLÍTICAS SOCIALES



**ANNEXE II: BACKGROUND PAPER - SUSTAINABLE FINANCE FOR DEVELOPMENT:
POLICIES TO SUPPORT THE NEW URBAN AGENDA FOR LOCAL AND TERRITORIAL
FINANCE¹**

¹ Authors: Michael Lindfield, Marco Kamiya; Coordinator: Gulelat Kebede

Executive Summary

Urban population has been increasing rapidly and is projected to be 86% of the total population in the more developed regions of the world in 2050 and 67% of the total population in the less developed regions in 2050 (United Nations, 2008). Overall, the urban population is expected to be 70% of the world population in 2050.

Cities are the focus of national economy as they generate over 80% of the GDP globally. But, local governments are under pressure to do more with less. The greatest challenge for local governments is to keep cities economically viable by delivering a high level of services while keeping taxes sufficiently low so as to encourage businesses and individuals to set up in their jurisdiction.

To meet these challenges and, in many countries, to keep pace with rapidly rising levels of urbanisation, cities need a sustainable flow of resources, and incentives to ensure expenditures are effective, to pay for needed services and infrastructure. The major sources of revenue for most cities in the world include taxes, user fees and intergovernmental transfers. Cities need to look beyond these and diversify their sources of finance by tapping capital markets, credit from commercial banks and public-private partnerships, among others.

Municipal infrastructure is essential to the economic, social and environmental health of cities. However, current taxation sources do not generate enough income to finance required infrastructure. Thus, national governments need to enable cities to mobilize additional revenues. These new revenue sources need to be directly linked to concrete benefits from local outcomes. Local governments should also be able to show efficient use of public funds by publicly reporting their financial situation in a transparent and accountable manner.

This report recommends an Action Agenda plan for improving municipal finance with a focus on five key areas which include;

- Improved governance structures;
- Improvement of own source revenue at the local level;
- Better systems for fiscal and asset management;
- Further effective use of transfers and better leveraging of funding resources from the local capital market; and
- More effective systems of infrastructure finance.

Recent trends in fiscal decentralization, globalization and urbanization have highlighted the importance of cities in the national economy and have consequently increased the interest in cities globally. This enhanced role needs to be matched by enhanced resources enabling cities to fully realise their potential. This, in turn, will require both national policy initiatives and more effective financial management structures in cities. Cities' capacity needs to be built to meet the needs of this new role, enabling a transition from ineffective current urban finance practice in many local governments to a situation where strong legal and institutional frameworks can resource urban expansion and to provide better services in existing urban areas.

1. The Imperative for Better Financing Cities: the Engines of Sustainable Growth

1.1 The national development case: *Bolstering the efficiency of 70-80 percent of the economy*

Globalization continues at fast pace, but localization, the process whereby subnational governments have greater responsibility to provide infrastructure and services, is also increasing. Further, while globalization has been rapid, urbanisation has been growing even faster and today there more than 4000 cities with population over 150,000, of which some 500 have over one million inhabitants (UN-DESA)². Globally cities generate over 80 percent of the GDP, and even in developing economies, such shares hold true.³

Given cities are the focus of the national economy, the most important economic priority for many governments should be to foster efficient and competitive cities that pull their own fiscal weight.⁴ Many cities now have populations and economic product equivalent to that of nations.⁵ Surprisingly, this is more so in some developing regions such as Asia than in most OECD economies with higher levels of urbanization. This makes urban economies very important to the national economic agenda in general and to the pursuit of sustainable economic development in particular. This has not, however, with few exceptions, resulted in national governments prioritizing urban development. This situation needs to change.

Among developing countries, there is, however, a wide range of experience. In Asia in 2012, for instance, urban areas contributed about 80 percent of the gross national product (GDP)⁶ and represented 46 percent of the total population. But the rates of urbanisation varied from the city states of Singapore and Hong Kong, China that produce almost all of their GDP in urban areas to Myanmar and the Lao People's Democratic Republic (Lao PDR) where urban areas produce much less, at 45 percent and 51 percent of total GDP respectively. Overall, East Asia's urban populations produce 92 percent of their countries' wealth, with Southeast Asia at 77 percent and South Asia at 75 percent. Typically, per capita product in urban areas is much higher than overall national averages.

While cities are the engines of the economy, particularly in Asia, their governments struggle to finance the infrastructure they need. Cities, even megacities, are still overly dependent on national and state/provincial government transfers. Despite their economic importance, cities are starved of development resources. In many countries local taxes and other revenue sources could be a major source of development finance but subnational governments are not allowed to expand their revenue base. In Developing countries subnational taxes are 2.3% of GDP, whereas in industrial countries is 6.4% (Bahl based on IMF data.⁷)

³ World Bank (2015) *Urban Development Overview*

⁴ World Bank. 2014. 'Urbanisation and Development Working Paper'. Washington.

⁵ ADB. (2008). *Managing Asian Cities*. Manila.

⁶ Dobbs, Smit, Remes, Manyika, Roxburgh. & Restrepo (2011) *Urban world: Mapping the economic power of cities*. McKinsey Global Institute. Washington.

⁷ Bird & Bahl (2008) *Subnational Taxes in Developing Countries: The Way Forward*. Institute for International Business, Working Paper Series IIB Paper No. 16.

Rapid urbanization has been the key driver of global growth—and of the poverty reduction that has resulted. This success has been dependent on high levels of capital investment to create world-class factories, rising productivity, and foster open trade. Urban businesses and workforce increasingly consider themselves to be part of a global economy, competing and collaborating with businesses and labour in other cities.⁸ More competition-focused policies based on one particular cheap factor and exogenous demand will continue to be important in some countries, such as Bangladesh and Viet Nam, but rapidly rising incomes mean that a number of countries, China, India, Malaysia, Thailand and Indonesia among them, are running up against the limits of export-led, manufacturing-based growth. A new strategy, maximizing both external competitiveness and support for endogenous growth, is needed to avoid the middle income trap.⁹ Improved infrastructure, reducing input, transport and transaction costs to business, is critical to competitiveness and to laying the foundation for internal trade and the development of scale in service industries.

National governments, as a strategic priority, need to enable cities to mobilize additional revenues in order to meet the challenges faced as economies develop and particularly as they approach the ‘middle income trap’. This is crucial to continued national development.

1.2 The infrastructure case: *existing taxation sources cannot fund the needed infrastructure spend so new sources are needed, but to make such sources palatable they need to be directly linked to concrete benefits from local outcomes*

The economic cost of inadequate infrastructure is not only high, but is beginning to threaten the competitiveness and productivity of cities and national economies. For example, India needs to invest US\$1.2 trillion¹⁰ to wipe out the deficits in urban infrastructure, to meet the requirements of the urban population likely to be added over the next twenty years, and to enhance national economic growth – a related estimate is that the current urban infrastructure deficit costs India about 4.3 per cent of its GDP per year and significantly reduces its potential economic growth. Some governments in Asia have recognized this and have attempted to meet the infrastructure challenge by establishing new mechanisms to invest in urban infrastructure, both as a step to maintaining domestic growth and also to enhancing their position in the global marketplace. Such investment should be more resilient; help cut pollution and reduce the resource impact and footprint of cities.

But the situation is often moving in the wrong direction. Despite decentralization, IMF data show that local governments are *less* self-sufficient today than they were 15 years ago¹¹. National governments have not transferred funds or provided access to finance to match service delivery obligations. It is true that wholesale transfer of funds to local levels has been cautioned by evident issues of accountability and transparency in local governments, which have not always been seen as fiscally responsible or

⁸ Merrill Lynch. (2006) *Urban Asia* The Asian Market Economist. New York.

⁹ ADB. (2010) *Asia 2050: Realizing The Asian Century*. Manila.

¹⁰ McKinsey & Company (2011) *Building India: Transforming the Nation's Logistics Infrastructure*. Delhi

¹¹ Gadenne, L. & Singhal, M. 2013. Decentralization in Developing Economies. *Annual Review of Economics*, 3.

effectively meeting needs. Sub-national government debt and contingent liabilities have brought about significant problems for national governments in India and Latin America¹², and to a lesser extent, China. This perception should be tempered by an understanding that these capabilities and responsibilities have changed over time, and performance is best measured for a number of dimensions, which enables the targeting of support, and incentives, for improvement. An additional problem in Asia Pacific countries is that many LGUs are limited in their access to capital markets, creating inter-generational inequities when they have to raise current taxes to pay for the development of local infrastructure services which will benefit many in the future.

Local governments, due to their importance in the economy, are thus under pressure to do more with less. In many cases, municipal functions are becoming increasingly complex, encompassing issues of employment generation, social inclusion, and climate change. So, they have to be creative about finding sources of revenues and judicious in rationalizing their expenditures. Most cities in the developing world still rely heavily on transfers and grants and a great deal of effort is being placed to reduce this dependency on central government. The structure of local revenues show that property tax is potentially a good source of local revenues but, in most developing countries, unlike in countries such as the UK, US, Canada, Australia, France where it represents about 40 to 50 % of local revenues, property tax only represents less than 3 to 4 % of local revenues in most developing cities¹³.

The current dearth of systems fostering local fiscal responsibility and local government capacity to borrow in order to finance infrastructure flies in the face of both economic theory and need. The challenge facing governments is to build the basis for more, higher yielding and more robust revenue sources for their cities. These sources should be derived, as far as possible, from the citizens of the city – for reasons of both ‘ownership’ and equity. On this base a viable funding model can be built.

In addition to the above challenges, a new set of funding requirements is looming as a result of the need to respond to the environmental impacts of rapid development and climate change as set out in the Rio+20 sustainability agenda. In particular this relates to funding the investments required to mitigate and adapt to climate change. Again, new and more effective local funding instruments are required to address this need.

Nevertheless, many local governments are learning to deliver services more effectively with better public financial management when they are given more responsibility and autonomy. A World Bank study covering 190 projects involving 3000 municipal development investments concluded that they resulted in better access to services, for example water and clinics, and increase in the scope of services¹⁴.

There are important opportunities for local governments to leverage their own resources – with the support of national government and the international community. Local governments in developing countries rarely use alternative sources of funding such as those available from private sector, among

¹² Canuto, O. and Liu, L. ‘Until Debt Do Us Part’. World Bank. Washington. 2013.

¹³ Farvaque & Kopanyi, Editors (2014) *Municipal Finances: A Handbook for Local Governments*. World Bank.

¹⁴ World Bank (2009) *Improving Municipal Management for Cities to Succeed*. http://siteresources.worldbank.org/EXTMMNGT/Resources/Municipal_eval.pdf

others, in the form of loans from commercial banks or public private partnerships. Only 4% of 500 cities in low income countries have access to international markets¹⁵. Many local governments are a long way from credit worthiness and do need to go through the unglamorous steps of keeping their books in order before entering the world of lending. There is such a thing as a bad loan and there is such a thing as a bad project.

1.3 Principles for appropriate urban finance policy making: *The Interdependence of Institutions and Instruments*

Many countries now have explicit urban development policies. Most of these focus on infrastructure and economic development, with more recent urban policies have incorporating sustainable/ green city and inclusive city policies. For example, China's Five-Year Plan (2011-2015) ⁶⁵ and the New-type Urbanization Plan (2014- 2020), focused strongly on the green economy and sustainable transport infrastructure for cities. Importantly, the plan set targets for the formulation of local, provincial plans. Korea places a strong emphasis on sustainability, while the Urban Development Policy for Chile has a strong emphasis on sustainable cities and quality of life. New Zealand does not have a Central/Federal urban policy, but has an Urban Design Protocol⁶⁶, which local governments are expected to follow. None of these policies has a strong financing dimension, being confined to statements of objectives and principles of development. While important, this does not go far enough.¹⁶

To provide the services needed by their citizens, cities need to have clear mandates and capacities to finance the construction of infrastructure such as water systems and public transport, to efficiently use and maintain these assets and to replace or upgrade them to meet demand and/or higher expectations on the part of their citizens. A number of financial instruments are available to cities in this endeavour. The effectiveness of a particular financial instrument, its ability to raise a given amount of money at the least cost, will be determined by the capacity and mandate of the institution (or institutions) that are using it – and often by the capacity of the institution supplying funds too. National governments seeking to maximise the choice of options and yield from particular financial instruments need to understand how they will work most effectively for users. For example, the use of 'pooled' financing instruments requires, among others, the capacity to assess the credit risk of a group of local governments. National governments also need to provide the incentives for local governments to innovate and perform when it comes to revenue mobilisation and service delivery – national challenge funds (see Box 1) can provide such incentives. National policies need to set this institutional context.

¹⁵ World Bank (2013) *Planning and Financing Low-Carbon, Livable Cities*.

¹⁶ APEC Secretariat (2014) *Urbanisation Discussion Paper*. Singapore.

Box1: Challenge Funds: Urban Governance Improvement Project, Bangladesh

Over the last 3 decades, the Government of Bangladesh (GOB) has undertaken three Urban Governance and Infrastructure Improvement (Sector) Projects with financial assistance from the Asian Development Bank (ADB), together with co-financing from KfW and GIZ to improve governance and urban service provision in over 50 municipalities. The ADB, its development partners and the GoB have gradually introduced a system whereby development funds/loans for municipal infrastructure improvement are disbursed in a staged manner, based on the successful accomplishment by the recipient pourashavas of a set of performance criteria in the area of urban governance. The projects, totalling over \$200 million in lending have been successful.

Source: <http://www.adb.org/projects/39295-013/main>

2. Urban Finance Issues in the Context of Global Urban Trends

Many central and subnational governments do recognize the importance of cities to their national economies and that cities need a sustainable flow of resources and necessary conditions to unlock endogenous financial resources to achieve sustainable urbanisation, but do not yet operationalise that realisation.

Effective financing mechanisms operating within a strong legal and institutional framework are needed to cater for urban expansion and to provide better services in existing urban areas. However, many city financing systems are structured for their role in the economy of a bygone era, not according to global best practice.

Nevertheless, some governments are more clearly defining the responsibilities of subnational authorities for the delivery of urban infrastructure and services and better structuring transfers and mandates for local revenue generation to encourage efficiency in service provision, and in the management of resources for operations and capital investment. But this process needs to be extended and systematised.

The sections below set out the key drivers in the development of an effective system of local government finance.

2.1 Improving Outdated Governance Systems

Governance systems not only provide the political and organisational context for the process of resource mobilisation, but, more importantly, the outcomes of urban governance systems determine the potential revenue mobilised. There are three key shortfall areas in global urban governance:

2.1.1 Incoherence of Urban Institutions

Urban institutions, such as local governments, very often do not cover the totality of the urban area, and planning coordination institutions do not effectively encompass sectoral silos – they are geographically and sectorally incoherent. In effect, this means that local governments are often too small to have a coherent long term vision (particularly a long term economic vision), to have sufficient financial leverage to achieve their visions, and to avoid political pressure from unrepresentative pressure groups resisting development with long term and geographically widely-spread benefits.

Good examples of the creation of geographically coherent structures come from Germany, where a regional authority has been created for Greater Stuttgart to coordinate regional economic

development initiatives and transport. In terms of achieving sectoral integration, some developing countries have raised their major cities to provincial level as in BMA for Bangkok and DKI Jakarta – albeit these structures do not encompass the full urban areas of these megacities.

Box 2. Stuttgart Region Metro

The Greater Stuttgart Region was assigned the status of a public entity in 1994 with core competences and a Governance Model defined by law. The region is composed of 179 municipalities, including the core-city of Stuttgart and many smaller and middle-sized towns. A directly elected Regional Assembly with urban lists and rural lists ensures local democracy. Constant cooperation of urban and rural parts of the region in transport and economic issues establishes the urban-rural linkages for mutual benefit.

Three core competences in and for Stuttgart Region are tackled by the regional entity “Verband Region Stuttgart”. It has a dedicated development corporation: Wirtschaftsförderung Region Stuttgart, wrs, GmbH, financed, among others, by transport revenues and mandatory contributions of the 179 municipalities. These are:

Regional Land Use planning has as its goal to ensure sustainable development in the Greater Stuttgart Region, i.e. to prevent urban sprawl to protect open spaces as well as to present locations for renewable energies (transport axis, green corridors are designed by framework plans, landscape parks and spatial land use planning).

Public Transport Development aims to continuously improve mobility whilst reducing CO₂-emissions and keeping costs at acceptable levels (extending the suburban railway network, employing more urban trains and night busses, supporting the large railway project Stuttgart 21, regional transport planning, etc.).

Economic Development aims to attract investors, supporting SME and managing Clusters and Networks by e.g. commercial space management, recruiting and training a skilled labour force, organising start-up networks, founding and / or running 12 Thematic Competence Centres (“triple helix structures” from business, science and public service). The Competence Centres are spread over the whole territory

Source: European Union. 2011. *Efficient Metropolitan Governance*. Brussels.

Source: http://www.eurometrex.org/Docs/Activities/EP_Event/EN_METREX_URBAN_EP_report.pdf

2.1.2 Inadequate structures for integrated urban planning and inter-governmental fiscal relations.

While not immediately obvious, planning is strongly linked to financing as very significant real or potential revenue from taxes and fees comes from urban development, and the scale and efficiency of this development is, in turn, largely controlled by the planning process. Aside from the level of transfers, which is always considered by local governments as too low, the structure of many transfer systems provides perverse incentives for a variety of behaviours that reduce the efficiency of local governments. Basing transfers only on population, for example, provides no incentive for improved performance. In many developing countries, the relationship between planning and development does not hold due to

lack of enforcement of development controls. Aside from leading to adverse environmental and social outcomes, the increased risk for investors from an uncertain regulatory context is passed on as increases in expected returns and in financing cost, in turn increasing the cost of infrastructure and other urban development.

Nevertheless, good examples of planning, development, value capture and financing exist. The Hong Kong Metro, one of the few transit systems that actually covers capital and operating costs, is perhaps one of the most effective examples. Incentives for effective use of grants (and assets) also exist. The Philippines Department of the Interior and Local Government has a 'Challenge Fund' to provide an incentive to local governments to invest in environmental infrastructure and in Bangladesh, the Urban Governance Improvement Project (see Box) rewards good performance by local governments with access to additional resources.

Box 3. Performance-Based Funding through Matching Grants in the Philippines

In an effort to improve the performance of local government agencies, a performance-based incentive policy (PbIP) was established by the Department of the Interior and Local Government (DILG) of the Philippines. The purpose of the PbIP was to rationalize intergovernmental fiscal transfers made by the national government to local government units (LGUs) for the purpose of improving governance and delivery of basic services.

The PbIP links incentive payments to performance targets and has thus appropriated P500 million to the Performance-based Challenge Fund (PCF) for the purpose of financing subsidies to qualified LGUs.

Under the PCF, specific performance criteria were established in key areas of governance, including planning, fiscal management, transparency and accountability, and performance management. LGUs that fulfill these criteria can receive counterpart funding for local development projects. The PCF provides one-to-one matching funds for investments undertaken by eligible LGUs in the following areas:

Attainment of Millennium Development Goals in a broad range of areas (e.g., school buildings, rural health units and health centers, birthing facilities, water and sanitation systems, farm-to-market roads, housing, and settlements).

Local economic development (e.g., local roads and bridges, tourism facilities, irrigation systems, postharvest facilities, cold-storage facilities, ports and wharves, and other economic infrastructure and growth-enhancing projects such as markets, slaughterhouses, and water supply systems).

Adaptation to climate change and preparedness for disasters (e.g., flood control, reforestation, solid waste management facilities, storm drainage, dikes and related flood protection measures, slope protection, evacuation centers, rainwater collectors, early warning devices, and rescue equipment).

Source: DILG Memo Circular No. 2011-62 "Implementation Guidelines of the Performance Challenge Fund".

Source: <http://www.dilg.gov.ph/programsprojects/Performance-Challenge-Fund-for-Local-Government-Units/6/>

2.1.3 Inadequate support to building an effective and financially viable process of urban development.

Often there is insufficient support to the evolution of the institutional base and the strengthening of its capacities. Many countries have local government academies with the mission to strengthen the performance, including financial performance, of local government. However, the programs offered tend to be very focused on building individual skills – essential, but not sufficient. Examples of more structural approaches to building broad based capacity exist however. For example, in Indonesia the Capacity Building for Urban Infrastructure Management Project (see Box) was formulated to support national and local institutions implementing the Integrated Urban Infrastructure Development Program. Under the Program, each participating city had to produce a Revenue Improvement Action Plan to demonstrate the capacity to maintain the infrastructure being built under the Program.

Box4: Capacity Development: CBUIM, Indonesia

Loan 1572-INO: Capacity Building for Urban Infrastructure Management (CBUIM) Project (OCR \$42 million), a large-scale capacity development project conceived in the mid-1990s, was a large training program involving 14 cities and thousands of participants. Since decentralization, the curriculum was adjusted to reflect new legal and institutional conditions. It provided a comprehensive set of training materials for future application in urban infrastructure management. This component can be considered successful. In various municipalities, efforts are under way to establish alumni associations and to organize local follow-up training provided that budgetary requirements can be met.

Source: ADB Independent Evaluation Department, Indonesian Country Assistance Program Evaluation 2005

2.2 Bridging Shortfalls in Endogenous Resources

While national transfers discussed above are important, critical to developing cities sustainably in the medium to long term will be their ability to raise resources from sources under their own control. There are several issues related to this major driver:

The first is whether or not cities are levying all the taxes and user charges they are entitled to levy (and which are net revenue earners – there is no point in collecting a tax which costs more to collect than it raises); whether they are actually collecting the taxes and user charges they, in theory, levy; and if they are levying them at the correct (maximum or cost recovery) level. The key question is: Are there incentives in place to ensure that local governments actually collect all the taxes they are supposed to collect? An example of good practice is seen in the design of the Jawal Nehru National Urban Renewal Mission (JNNURM – see Box) linking some programme benefits to taxation reform and performance.

Box 5. Jawaharlal Nehru National Urban Renewal Mission: A New Agenda in Urban Development

The Jawaharlal Nehru National Urban Renewal Mission (JNNURM), a scheme sponsored by India's central government, covers seven megacities, 28 cities with populations of 1–4 million, and 28 other important urban centers. It was launched by the Government in December 2005 and has two lines of funding: urban infrastructure and governance under the Ministry of Urban Development; and basic services to the urban poor, administered by the Ministry of Urban Employment and Poverty Alleviation.

To be eligible for assistance, urban local bodies (ULBs) and state governments have to undertake a set of mandatory reforms. In the case of ULBs, these include full operations and maintenance (O&M) cost recovery over 5 years, and adopting accrual accounting, e-governance, and pro-poor budgeting. Similarly, mandatory reforms for states include the repeal of the Urban Land Ceiling and Regulation Act, reform of rent control laws, and establishing independent regulators for urban services. In addition, states and ULBs are required to implement any five optional reforms, such as bylaws to streamline the approval process for construction, introducing a property title certification system, and introducing a computerized land and property registration and administration.

Source: ADB. 2008. *Managing Asian Cities*. Manila

The second issue is the design of local tax systems as determined by national and/or state/ provincial governments. Again, these designs were a response to circumstances applicable in years gone by and no longer reflect current circumstances, capabilities or best practice. For example, are property taxes based on highest best use of land and not on the value of the property on the land? Kenya, South Africa and Australia levy this type of property tax which encourages the development of land to its most economically efficient level.¹⁷

The third issue is the need, in the context of insufficient resources for urban development – even given well-designed, well-implemented resource mobilisation systems – for additional taxes or the extension of existing ones, with a specific objective to increase the resourcing of local government. For example, such measures may take the form of hypothecating of a certain amount of, or creating surcharges on, national and state/ provincial sales, income and corporate taxes, or the levying of property tax surcharges for specific purposes, for example Tax Increment Financing in the USA or betterment levies in Colombia.¹⁸

Good examples of tax surcharges for local government are found in the USA. Local governments can, for example, levy a surcharge on income taxes. As discussed above, Hong Kong has excellent systems of capturing land value increase to finance infrastructure investments and the US PACE system of paying for environmental improvements is an excellent example of investment financed by property tax surcharges (see Box).

¹⁷ Bird. and Slack (2002) *Land and Property Taxation: A Review*. World Bank.

¹⁸ World Bank (2013) *Planning, Connecting and Financing Cities - Now*.

Box 6: California's Property Assessed Clean Energy initiative

More often than not, the costs of investing in solar photovoltaic systems, energy-efficient windows, and insulating a home will not be recovered when the home is to be sold. These up-front costs are considered to be one of the most significant barriers to solar and energy-efficiency retrofits.

In the United States, property owners can finance energy-efficiency and renewable-energy measures in homes and commercial buildings without the need for government subsidies. This is because the Property Assessed Clean Energy (PACE) initiative enables them to “mortgage” these improvements, and thus to pay only for the benefits they derive during the period they own the property in question. The PACE financing program provides incentives to property owners to install solar panels and other energy efficiency retrofits.

Originally known as a “Special Energy Financing District” or “on-tax-bill solar and efficiency financing,” PACE was first proposed under the Monterey bay Regional Energy Plan in 2005. However, the first PACE program was implemented in Berkeley, California to help achieve the San Francisco bay Area's climate- related goals. While California was the first state to pass legislation for PACE financing, the program has since covered more than 16 states. Such legislation allows localities within the state concerned to establish PACE financing programs.

In jurisdictions where PACE legislation is applicable, local governments (through municipal financing districts or finance companies) offer a specific- purpose bonds to investors. The proceeds from the sale of such bonds are then lent to owners of both residential and commercial properties for the purpose of retrofitting these properties for energy efficiency. These loans are then repaid over the term specified (typically 15 or 20 years) through annual property-tax-bill assessments that are spread over approximately 20 years. However, the property owner benefits from the energy-cost savings from such improvements, which ultimately result in net financial gains.

Sources: Property Assessed Clean Energy Advocate. PACENow. Solar Financing for Residential Solar Panels.

Source: <http://www.nrel.gov/docs/fy10osti/47097.pdf> and <http://www.sfgate.com/business/article/17-California-counties-create-huge-PACE-program-5668070.php>

Again, it is important that national governments give due attention to the process of consideration of such issues, of moving to implement them, and of building capacity in the area of resource mobilisation is important. Such a process will involve coordination across a number of national and state/ provincial ministries or departments. The focal point for coordination needs to be given a clear mandate to undertake the process.

2.3 Building Better Local Financial and Asset Management Systems

Both from a theoretical viewpoint (OECD), and from some available evidence (US national transfers), funding local projects from local sources is seen as efficient. However, the devil, as they say, is in the implementation. Once revenue is mobilised, it is essential that the proceeds be used as efficiently as possible. Although less critical in higher income countries, even in these countries it is still rare to find outstanding examples of well-managed local government.

Subnational governments should improve transparency providing easily accessible public data on provision of infrastructure and services, and link those expenditures to an increased taxes/fees

collection. Efficient use of public funds is a key concern. It is essential that local governments be able to report their financial situation in a transparent and accountable manner to (a) their Ministries of Finance; (b) their citizens; and (c) their financial partners. The World Bank has been working on a Self-Assessment tool (MFSA) to determine priority actions to improve transparency and the effectiveness of their FM systems.

Budgeting should be done in the context of the need to implement an agreed plan. Prioritisation of expenditure – whether capital or recurrent – should be done on the basis of establishing the most cost effective way of providing the planned and mandated services to the city. Few cities have the capacity to prepare an investment plan, let alone a plan balancing investment and O&M expenditure, in the context of such a service program. There are both regional support facilities (for example, the Cities Development Initiative for Asia) and national systems (for example, the requirement under JNNURM to prepare City Development Plans) to develop prioritised investment plans, but they are not integrated with city-wide financial and asset management. Once investments are decided and funded, the city agency responsible has the responsibility of ensuring it gets value for money when it procures the investment. Procurement systems are thus critical components of city financial systems. They must be both flexible and rigorous in respect of probity – a difficult mix requiring considerable skills.

Given an investment plan, there are few examples of structured systems capable of leveraging local and transfer revenues with community and/or private sector resources. The city of Chicago has the Chicago Infrastructure Trust (see Box), which has been effective in leveraging the city's resources in respect of some projects eg in retrofitting to improve the energy efficiency of government buildings. Related to this issue is the effective use of the city's assets. The question is: Whether or not the government needs to own them – to 'retain or recycle'? Sale of government assets is controversial, but effective programs that link sales to new assets and services, such as the government of New South Wales' Asset Recycling Program in Australia exist. Ministries of Finance tend to dislike such hypothecation of revenue, but citizens see direct benefits from them and are more likely to support them. More flexible use of government assets is also possible, but agencies tend to fiercely defend their stocks. Again, such decisions are best made by a cross-jurisdictional, cross-sectoral agency.

Box 7. Chicago Infrastructure Trust

The Trust, established by the City Council in 2012, is set up as a non-profit entity, with a board of senior public- and private-sector experts and a full-time executive director. Unlike some of the state-level offices that focus more on planning, it will design and negotiate financial deals with private investors, not just the bureaucratic needs of making public works projects go. It aims to leverage some \$1.7 billion in private funding.

City projects funded through the Trust will remain under city control. There will be no asset sales or lifetime-long leases. It is designed to attract private money and pay it back relatively fast — say, in 10 years instead of 90 — so that the city too can profit from the improvements that get made. The Trust is also designed to shift risk away from taxpayers and put it on the backs of private investors.

Its first project involves \$101 million worth of energy retrofits in city-owned buildings. The Trust is seeking cash up front from investors, to be paid back over time with the money saved from those improvements. The city has plotted out what it thinks those upgrades will save in lower energy costs, but unlike a general obligation bond, for instance, it's making no guarantee on the return. Repayment for investors will be from operating budget savings only.

There's another key difference from the way private sector involvement has typically worked in the past. Instead of funding just one big, discrete project like a toll road, the Trust will enable the city to

bundle lots of small ones — those energy upgrades will be on dozens of buildings — and sell them to the market in one transaction. This overcomes the transactions costs of, for example, preparing 300 discrete energy retrofit projects through the private markets.

The Trust is creating this pipeline of projects and that brings the money.

Source: <http://nextcity.org/forefront/view/rahm-emanuel-has-an-idea>

Source: <http://shapechicago.org/about/how-it-works/>

2.4 Developing Systems for Effective Use of Exogenous Sources of Finance

The above sections demonstrate the improving municipal finance is an incremental process and the mechanisms used evolve over time as the circumstances of the city and the national capital markets also change. Critically, local governments should focus first on getting the basic conditions right, by maximising the potential of their endogenous resources and strengthening and improving their financial capabilities. When the “house is in order” local government can, in turn, maximise its leverage of endogenous resources and tap wider sources of finance as available in the country concerned. For example, where the national policy context provides for it and where capital markets are capable of providing long term sub-sovereign debt, cities should aim to attain credit ratings needed to access bond markets and potentially in international markets. Where such conditions do not apply¹⁹, a sound financial base will enable them to access more conventional forms of finance such as municipal development funds and pooled financing mechanisms, on the best possible terms. Cities in all regions of the globe, including several in Africa, have been able to successfully issue bonds, though results are mixed.

National policy needs to squarely address the issue of city financing and the need for national systems to evolve. But national institutions must ensure fundamental prudential mechanisms – such as rigorous assessment of debt service capacity – are maintained as the system evolves.

Good examples of such evolution exist – especially in the case of municipal development funds. The case of Findeter (Financiera de Desarrollo Territorial) in Colombia is instructive as it moved from its roots as a municipal fund to become a sophisticated bank for sub-sovereign infrastructure finance. In developed countries, municipal finance systems have developed mechanisms such as bond banks (Spain, Sweden, Finland and cities in the United States) which act as intermediaries offering guarantees and pooling resources from local and international investors.

Box 8: Financiera de Desarrollo Territorial (FINDETER)

In the late 1980s the Government of Colombia instituted an economic development policy based on second-tier public financial institutions specializing in priority sectors. FINDETER was chartered in 1990 under Law 57/89 as a second-tier financial institution under the Ministry of Finance with separate legal status and its own assets, supervised by the Office of the Superintendent of Financial

¹⁹ Conditions among countries differ greatly and different approaches are required to strengthening the enabling framework for financing local governments from the capital market. See, for example, Sood, Mays and Lindfield (2012) *Subnational Finance for Infrastructure* ADB Sustainable Development Working Paper 20.

Institutions. In keeping with its implementing regulations, FINDETER employs a discounting mechanism to lend to public service providers, both public and private, through financial institutions.

Driven by sustained portfolio growth and efficiency gains in managing its operating costs, FINDETER's profitability indicators have improved steadily since 2002. The bulk of its portfolio is in residential public utility investments: water, sewer, waste disposal, electricity, gas, telephone (30% of the total portfolio), and transportation (25%), as well as low-income housing, health, and education (24%). In 2008, over 82% of FINDETER's clients were private sector entities, and roughly 30% of its portfolio is comprised of leasing operations.

FINDETER's financing activities changed notably in 2003. It expanded its automatic discounting system; made its products more flexible, diversified its portfolio to encompass new sectors, new clients (leasing and commercial finance companies), and new private sector subborrowers, scaled back its technical assistance to PSPs,⁷ and took steps to improve its integrated risk management. With these new activities, FINDETER went from carrying credit exposure alone to being fully dependent on the assessment of risk and returns done by IFIs.

In recent years FINDETER has secured most of its funding on the local market through issues of certificates of deposit of up to three years. It does offer amortization periods of up to 15 years, but the portfolio average as of July 2009 is under eight. FINDETER blends this with other sources of funding from abroad with longer terms that minimizes the maturity mismatch of its loan portfolio.

Source: <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=35137347>

In respect to facilitating better city access to, and use of, the capital markets, it must be recognised that there are both supply side and demand side actions required. National enabling frameworks on the supply side – enabling institutions such as pension funds to invest in municipal bonds, for example, are important. But demand side measures, building the capacity of cities, is also important. In this respect developing a system of credit rating for local governments, providing them with 'credentials' recognised by the capital markets, is important. National governments have encouraged cities to improve their credit rating as a pathway to improved municipal finances and expanded resources²⁰, and some cities are aiming for investment grade ratings that can even allow them to access international markets. Mexico is a good example in using city credit ratings as part of its subnational financing systems for infrastructure (see box).

Box 9: Regional Credit Rating Improvement Program

Funded by World Bank, Public-Private Infrastructure Advisory Facility (PPIAF)

Implemented by ICMA México-Latinoamérica

A key design innovation of the program is that it is implemented through a peer-to-peer approach. This approach linked US local governments with cities in Mexico, Costa Rica, and Argentina. The process, called 'CityLinks' involved several steps. These were:

- Development of programmatic selection criteria
- Confirmation of the intention to borrow for infrastructure
- Confirmation of the commitment to reform
- Selection of partners

²⁰ The World Bank is promoting the WB Creditworthiness Academy as part of these activities.

- Exchange visits
- Diagnostic assessment
- Definition of work plan
- Direct technical assistance
- ICMA facilitation
- Documentation of experience
- Regional workshops

What was the impact on participating subnational authorities?

- Established long-term capital improvement plans
- Established multi-year budgets
- Developed written debt and budget policies
- Two Mexican entities kept their credit ratings and obtained a line of credit at a time when many ratings were being lowered

Source ICMA presentation: <http://www.wilsoncenter.org/event/innovation-urban-infrastructure-financing-latin-america>

2.5 Better Systems for Infrastructure Finance

Infrastructure is a special case as it is a 'lumpy' asset, meaning it has a high construction cost relative to recurrent income of most jurisdictions, it is often cross-jurisdictional, meaning its provision needs to be coordinated over two or more political jurisdictions if it is to be financially viable and it is a long lived asset giving rise to inter-generational issues in funding. It is also an asset prone to mis-management in terms of under-funding of O&M or, the opposite, of inflating capital or O&M costs.

Prioritising infrastructure investments and the financing of those investments thus needs to take place in the context of a rational plan for the development of the city. But the financing of trunk infrastructure in a large urban area is typically beyond the capacity of one local government. Paradoxically, even if the project is implemented by a cross-jurisdictional, cross-sectoral²¹ entity, the success of the project and of the financing often needs the cooperation of all concerned local governments. This implies the need for regional or corridor implementation authorities that include representatives of the concerned local governments and financing instruments that cater to the variety of circumstances of local governments.

Transit Oriented Development (TOD) projects, such as the one in Atlanta, USA (see Box), often provide good examples of cross-sectoral development along corridors. Such entities constitute good interventions on the demand side of infrastructure provision, providing the long term planning and revenue base on which to build a viable financing package.

Box 10: Atlanta Beltline Transit Oriented Development

In 2005, the Atlanta Development Authority created the Atlanta Beltline Redevelopment Plan which aimed to knit together segments of four historic rail lines to form a 22-mile transit and greenway corridor circling downtown Atlanta, with transit and greenway spurs connecting 45 different neighbourhoods.

²¹ For example, water and sewerage infrastructure needs to be augmented if densities are being increased in a Transit Oriented Development project.

The plan was based on three separate studies which concluded that an integrated parks, trail and transit system was achievable and would provide open space and improved transit access leading to spurring private TOD, creating jobs and enhancing quality of life.

Aside from integrating the trail and transit system the plan also included improvements to pedestrian and roadways, improvements to existing school facilities and grounds, infrastructure assistance for private development projects and provision of affordable housing.

The projected project cost was estimated to be around \$2.1- \$2.7 million. Studies for the plan have determined that the sale of Tax-allocation district (TAD) bonds was a feasible way to pay for 50-70 percent of project costs. It was agreed that the estimated property tax revenue of \$1.7 billion generated from the beltline areas which covered 6,500 acres or 8% of Atlanta City will be used to payback principal and interest on the TAD bonds for 25 years. The remaining 1.1 million was planned to be sourced from federal, local and philanthropic sources.

Source: <http://www.smartgrowthamerica.org/documents/EPA-TOD-infrastructure-financing-report-2013.pdf>

On the infrastructure finance supply side, there are different solutions depending on the sophistication of the capital markets and of the borrowers – from project bond based financing subscribed by institutions (mainly pension funds) in Canada, to the Tamil Nadu Urban Development Fund’s pooled financing mechanisms used for financing infrastructure in small local governments in India.

Box 11. Tamil Nadu Urban Development Fund

The World Bank-funded Tamil Nadu Urban Development Project set up a loan and grant program as the Municipal Urban Development Fund (MUDF). By October 1996, the government-owned MUDF had financed over 500 subprojects in 90 out of 110 municipalities in Tamil Nadu. In 1996, MUDF was converted into a new financially and legally autonomous financial intermediary with participation of private capital and management, the Tamil Nadu Urban Development Fund (TNUDF).

An asset management company—a joint venture between the Tamil Nadu government and private investment companies—now manage the fund. This has brought private-sector management expertise to the selection and financing of subprojects sponsored by either public or private agencies and to facilitate access to creditworthy municipalities to the private capital market. The government’s share is to be reduced eventually through sale to interested investors and on-lending interest rates will gradually be made to conform to market rates.

A separate grant window for poverty-oriented investments, such as slum upgrading and cost of resettlement, is also being handled by the asset management company and provides technical assistance to municipalities in preparing such investments and improving their own financial management.

Source: ADB. 2008. Managing Asian Cities Study. Mani a.

2.6 Implementation Issues

Importantly, the diversity of circumstances across and within countries needs to be clearly understood and taken into account in policy formulation. Significant differences exist between countries in respect to the sophistication and depth of their capital markets, facilitating or restricting the options to tap exogenous resources. Small island and landlocked states have very limited options in this regard, for example. In such circumstances a heavier reliance on the effective use of land-related revenues and the leveraging of remittances for investments in community infrastructure may be more effective.

The structure of the economy is also important. If a large proportion of the economy of a city is in the informal sector, for example, revenue raising instruments that depend on business taxes will have limited effectiveness until this level of informality is reduced. Again, in these circumstances, more reliance on land-related taxes is likely to be more effective.

Within countries, urban areas in different positions in the urban hierarchy will require different approaches to revenue mobilisation. What is possible in a metro of 10 million people is not possible in a town of 50,000 people. National systems of inter-governmental fiscal transfers need to take such differences into account, and each country will have their own solutions based on their circumstances. There are, however, best-practice principles for action on establishing effective revenue mobilisation mechanisms which apply across countries. These will be examined in the following section.

Implementing such mechanisms likely needs innovations in governance, fiscal incentives and in financial and asset management, supported by reforms in the capital markets and by international development assistance agencies and international private sector. This is a **process** which needs to be managed by a national oversight agency. In particular:

- Land based financing is an under-utilised major potential source of funding for infrastructure and other services, but it needs appropriate institutional arrangements, to be effective. Central and subnational governments need to work together on enhancing the potential sources of finance through such mechanisms as municipal development banks or municipal development corporations as appropriate to the financing needs of cities for their infrastructure.
- The technical capacity for planning, accessing and administering the range of financing instruments is a major challenge for smaller municipalities, so capacity building programs, that provide the basis of effective financial management, can make a big difference and produce rapid results. For smaller local governments, more structured programs encouraging the more efficient management of local revenues and expenses, and supplying tailored finance for infrastructure, may be more effective.
- For larger cities there is a need to diversify sources of finance, encouraging them to tap the capital markets and to involve the private sector through mechanisms as bond issuance (requiring credit ratings), credit from commercial banks and Public Private Partnerships.

3. Metropolitan Finance Analysis Framework

It is clear that the financial management of cities is critical for economic growth and human development globally. However, an additional challenge facing urban finance is that the boundaries of urban markets for labour and goods typically extend beyond administrative boundaries, particularly in

rapidly growing urban areas. The metropolitan-administrative mismatch poses a number of challenges for effective financial planning and management.

Economic planning, particularly where it involves large infrastructure projects with metropolitan-scale implications, requires metropolitan-scale financing. The ability to access capital finance must therefore address cross-jurisdictional projects. For example, transportation and freight networks impact entire metropolitan supply chains and must be financed regionally. Commuter networks must address a metropolitan-scale labour market.

Local capacity to manage complex financing is often constrained by the size of smaller administrative entities in a metropolitan region. This adds to the rationale for project finance arrangements that cut across municipal boundaries.

Economies of scale apply not only to administrative capacity but may also apply to infrastructure and services themselves. Metropolitan cooperation can reduce the costs of regional-level services such as hazardous waste disposal, power generation, or large investments in regionally significant projects such as a large university or teaching hospital.

Regional service entities (such as for power, water, or waste management) can sometimes reduce costs through economies of scale. Metropolitan-scale services can also provide consistency and convenience for customers such as in the case of regional transit networks that utilize a single payment system.

Economic planning has metropolitan-scale financial implications beyond capital projects. Economic incentives and regulatory frameworks including tax policies, business regulations, and subsidies can have spatially distorting impacts if applied unevenly across an urban economy. Competition between municipal jurisdictions can undermine regional collaboration and exacerbate spatial inequality, reinforcing pockets of poverty and isolation and creating social instability in the longer term.

Due to the nature of metropolitan economies and economic planning, a regional coordinating institution is an important component of effective urban finance. Such coordination can manifest in various types of coordinating entities, examined below.

A primary rationale for decentralized finance and service provision is responsiveness to local demand and priorities. There is, therefore, a trade-off between local-level responsiveness and the benefits regional coordination when considering which administrative level can best administer any financial management function.

Following on from the analysis in Section 2, it is evident that effective finance of a metropolitan region will address the coherence of:

1. Urban management and finance across jurisdictions and sectors;
2. Inter-governmental fiscal arrangements; and
3. Institutional strengthening processes for improved financial management.

The critical issue for Metropolitan Finance is to ensure that these three processes work together to fully fund the Metro's service and infrastructure mandates.

To do this, the institutional arrangements for financing need to encompass the full geographical scope of the services and infrastructure and the capex and opex of all such services and infrastructure.

In respect of the geographical scope, the area involved needs to include at least the built up area of the urban core, but preferably the economic hinterland of the urban area as well. This is important 1) to prevent adjacent jurisdictions from ‘free riding’ on city services and infrastructure and 2) so that all households and enterprises benefiting from these can contribute to their development and maintenance through taxes on income or assets or through user charges.

In respect of the revenue streams across and within the various involved levels of government, the inter-governmental fiscal arrangements should be clear and efficient. The involved levels will generally be:

- State/ province level (typically major health and education facilities, inter-urban trains and roads)
- Cross local government level – Boards and Authorities etc (typically large health and education facilities, metro public transport, water supply/ waste water, solid waste disposal, and metro ring roads/ freeways)
- Local government level (typically local health and education facilities, solid waste collection, local roads)

Mechanisms for training, and for peer-to-peer learning, in financial management and associated skills and for putting into place the required systems for efficient, transparent and accountable management of metro finances are also needed.

Given the above, a potential format for comparative analysis of Metropolitan Financing systems is set out in the table below.

Govt Level	Sectors	Revenue sources for		Collection yield*	Systems	Comment
		Capex	Opex			
State/ Province	Health Trains Etc					
Cross LG (Boards etc)	Education Metro rail Water supply Etc					
LG	Solid waste Local roads Etc					

*Collection yield refers to how much of the tax/ fee due do they actually collect and Systems refers to the level of technology (electronic ticketing/ GIS-based, automated billing property tax etc). Comments should note the propensity for ‘leakage’ in collection and systems and transparency/ accountability.

4. An Action Agenda for Improving Urban Finance: Principles and Programs

Structured by Section 2 and elaborating Section 3 of the EIP

An action agenda for improving municipal finance will need to include focused activity in five key areas: These are:

- Improved governance structures, matching revenue mobilisation and service provision mandates;
- Improvement of own source revenue at the local level;
- Better systems for fiscal and asset management;
- More effective use of transfers and better leveraging of funding resources from the local capital market; and
- More effective systems of infrastructure finance.

Principles for action in each of these areas and suggestions for ways to transition to better practice are set out below.

a. **Governance**

Principles for addressing institutional issues at the level of the urban region and examples of action programs. The key issues are:

Almost all primary and secondary cities have outgrown their original municipal jurisdiction. However, systems of metropolitan governance are largely inadequate, falling short in any or all of: their geographic coverage for planning and representation, sectoral coverage, and financial capacity to fund investment. This mitigates against planning for, and financing the infrastructure and other services required by urban areas.

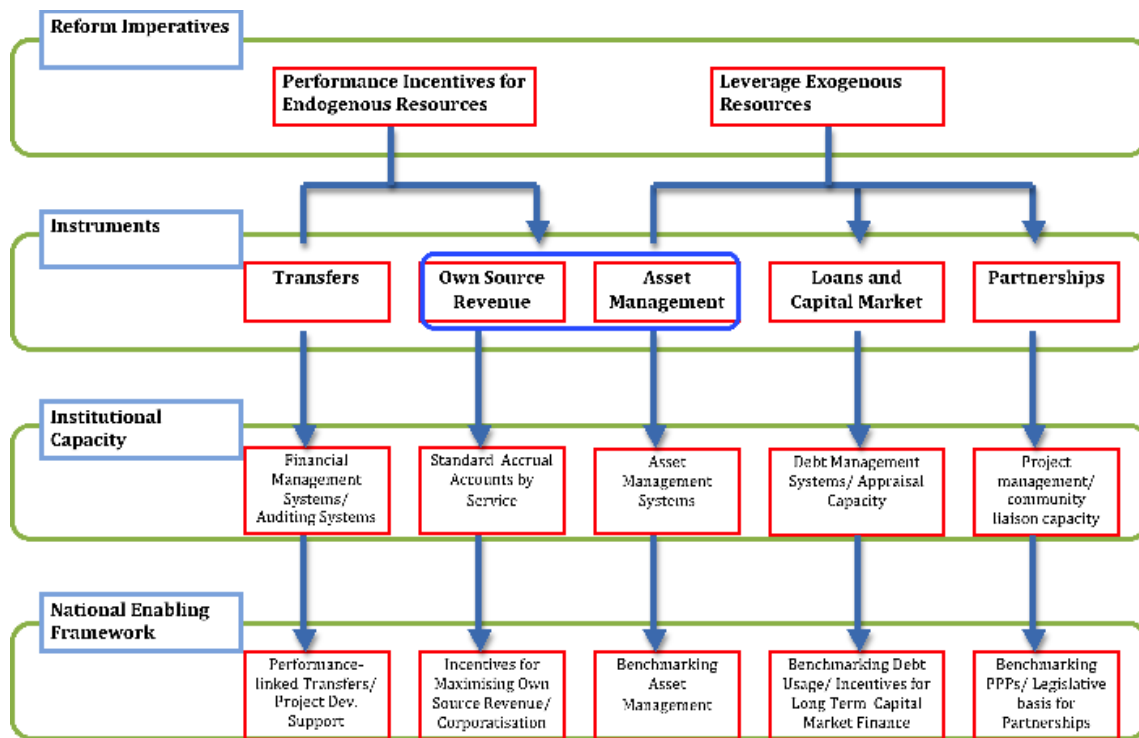
A more effective model is likely to be voluntary formation of metropolitan councils and secretariats. These higher level arrangements would have to be complimented by metro-wide service providers managed on a corporatized or concession basis. Precedents for both forms (voluntary councils and metropolitan boards) exist in most countries and can largely be undertaken under existing legislation.

While combining the local governments within the built up area of a city is difficult enough, in order to adequately manage the environmental footprint and to enhance the resilience of a city, the economic hinterland and water basin areas need to be included under the authority of a 'city region' management entity.

Mandates and capacities to expand to cover basin/ economic hinterland areas are almost non-existent, although examples of basin management including the city are seen in the Chiteram basin in Indonesia (Jakarta's main water source) and in Chinese development regions, such as Bohai.

To transition from ineffective current practice, national policy needs to encourage the formation of and resource, either metropolitan districts or voluntary, but legally binding, coalitions linking local governments in an urban agglomeration with a view to building financially viable entities that can sustainably plan for and finance the needed urban services.

To support this national priority, key reforms to ensure effective use of local finances and assets. These reforms, in turn, need to be supported in depth with national legislation enabling the development of more effective financing instruments and building capacities to utilise those instruments well – see diagram.



Source: Authors

4.2 Own source revenue

National enabling frameworks need to follow best practice principles, supported with effective programs, for structuring efficient endogenous resource mobilisation: property taxes, administrative fees, utility charges – the scope of, and rates for, such fees and charges; and for building capacity to identify both the tax/fee base and to collect the mandated level of revenue impact the actual yield of the source;

Principles: As far as possible, a clear mandate should be given to service providers to recover both capital (capex) and operations and maintenance (opex) expenditures from user fees and charges. This is not always possible, or desirable,²² and some services, in particular public transport, basic health and education services, should be partly cross-subsidised from other revenue streams. Others, pure ‘public goods’²³ such as most many local parks, roads and footpaths will have to be fully subsidised. Subsidies should be fully transparent, reliable in their application, and accounted. In structuring the mandate of such service providers, a rational geographic coverage should be designated, enabling both economies of scale and inclusive provision of services.

The transition from current practice – while performance across global regions differs widely, the general picture on cost recovery is dismal. Golden examples such as the Phnom Penh water system, Hong Kong MRT (see Box) and Manila water concessions demonstrate, however, that notwithstanding political incompetence, it is possible to achieve successful outcomes provided user charges are matched

²² Where there are significant positive externalities of provision for example.

²³ Technically those that are non-excludable and non-rival.

by effective service delivery. In general however, the need is to transition from ‘dismal’ to ‘not dismal’ requires simultaneous support to capacity in delivering the service, physical investment to improve the service, and tariff increases – incremental over several years and inclusive of a ‘lifeline’ tariff where necessary – in order to move towards cost recovery. This situation ranges across all infrastructure sectors in all regions with South Asian water utilities providing some of the ‘best’ examples of what can only be described as ‘abysmal’ performance, where lack of cost recovery is even considered a virtue.²⁴

Performance in respect of property taxes, the core general revenue stream of local government, needs to be prioritised. Vested interests opposing such measures need to understand that they are standing in the way of national development. Some countries, for example China, even struggle to introduce the concept such are the vested interests involved in local and/or national governments. In many countries local governments need to establish a comprehensive record of properties, value the properties according to market value, levy appropriate tax rates on what they value and collect the taxes. National governments should regulate both to prevent a ‘race to the bottom’ and provide a maximum consistent with the needs of a well-run local government.

An important instrument, leveraging the property registration, land use zoning and land taxation systems, is Land Value Capture. This instrument takes a number of forms and is well developed in Latin America, driven by the need to find new revenue sources to address current fiscal and urban planning challenges. National legislation, as in Brazil and Colombia, and a variety of municipal initiatives, as in Córdoba, Argentina, and Cuenca, Ecuador, have been successfully implemented over extended periods. The Lincoln Land Institute has undertaken an extensive study of this instrument and has consolidated and systematized established principles of value capture. The key learning’s are summarised in Table 1.

²⁴ With the consequent manifest consequences of a correspondingly abysmal service levels.

Choosing the Appropriate Value Capture Tool						
Tool	Incidence	Context	Process for Capturing Value	Advantages	Cautions	Pre-Existing Capacity
Public Land Procurement	ESC	Land needed for new public projects, such as low-income housing	Confiscation of changes in land value from prior use	Public investments made prior to development	Arbitrary decisions from unprepared courts	Legitimate public utilities to participate in the process
Property or Land Value Tax	EMC	Properties benefiting from citywide improvements	Rate imposed on land value component	Universality and regularity	Land vs. building component of property value	Continuous updating of value maps and cadastres
Exactions	NSV	Public concessions on new developments	In-kind or monetary compensation	Flexibility allowing for unanticipated developments	Manipulation or stakeholder influence	Access to information about private gains and public impacts
Betterment Contribution	EMC	Provision of local public works	Cost recovery or sharing	Beneficiaries invest in the project	Accurate assessment of potential benefits	Capacity of beneficiaries to participate and pay
Transfer of Development Rights	ESC	Public interest in designated property	Compensation with rights given in other properties	Building rights used as currency to fund public projects	Accuracy of conversion rates for development rights	Availability of building rights in the transfer areas
Land Readjustment	NMV	Urbanization of a new area or reconfiguring of existing parcels	Sale of shares in the redeveloped land	Funding of new urban infrastructure	Obstructions from unwilling landowners	Power to negotiate with all affected participants
Charges for Building Rights	NSC	Single building license	Land assessment techniques	Compensation to the public for existing infrastructure	Allegations of acquired rights	Land monitoring and cadastral systems
CEPACs	NMC	New or redeveloped projects with broader urban impacts	Public auction	Transparency and accuracy in transactions and assessments	Market volatility; gentrification	Public credibility and capacity for financial management

Key to Incidence:

First letter: E–Improvement to existing land uses; N–Promotion of a new land use

Second letter: S–Single project or property; M–Multiple projects or properties

Third letter: V–Voluntary or negotiated; C–Compulsory

Source: Lincoln Land Institute: *Implementing Land Value Capture in Latin America. Policy Focus Report 2013.*

4.3 Systems for financial and asset management

National enabling frameworks are needed to provide incentives for effective use of mobilised resources, shared taxes, transfers and of land and other assets; and national resources are needed to provide capacity building and technical support for local governments.

Key principles are:

Transfer instruments should be structured so as to provide an incentive for innovation; the leverage of both the transfers and own-source revenue (as discussed in the previous section); for achieving revenue mobilisation potential and for the efficient use of assets (see below).

Instruments for asset management depend on strong capacity to assess existing assets and to determine the most effective management strategy for each. An assessment should be made as to whether a service can be provided more effectively (with satisfactory capacity, resilience and responsiveness) through outsourcing (that is, using other people's assets). If this is the case, assets could be sold and the

proceeds used either for augmenting that service or in other areas needing additional capex.²⁵ Retained assets should be assessed in terms of whether they could be utilised more effectively. New assets should be built only after rigorous assessment of the investment case.

Capacity building of local governments in revenue mobilisation and asset management should be seen as a national priority investment, at least as important as a new port or other physical investment, and programmed and resourced accordingly.

In many countries national and state/ provincial transfers make up the bulk of local government revenue. This situation is not desirable but is enshrined in compromises among interest groups that are difficult to unpick and restructure in the short term. The structure of such transfers, reasonably enough, normally contains a large component based on population size. Adjustments are often made for the wealth of the area, with poorer areas getting more on a per capita basis. These structures, however, provide no incentive for innovation and enhancing the performance of own source revenue generation. On top of such funds many governments provide other grants to local governments. It is these that should be assessed in the first instance for their potential to encourage more efficient and innovative cities. Partly or fully restructured as challenge funds – providing resources for cities, programs and projects which demonstrate performance in leveraging resources, mobilising revenue or innovative partnerships – they have great potential to encourage such performance.

In terms of transition from current practice in asset management . In many countries, it is still in its infancy, although the recognition of the importance of asset management is slowly spreading. Even in OECD countries such practices remain underdeveloped. Asset management principles are being applied, albeit on an ad hoc basis, to a variety of uses (see Box). In Pune, India, a slum upgrading project on government land is being developed on a PPP basis with a private sector developer. In Iloilo, Philippines, a dilapidated market is being redeveloped, also on a PPP basis, with a private developer. But, as the box below shows, the principle can be applied at large scale.

²⁵ NOT opex – this will result in a net reduction in local government asset stock replaced only with higher cost funding.

Box 12. Leveraging Existing Assets to Develop New Assets

Cities can leverage the value of their assets— mainly land—to finance public infrastructure. An advantage of land-based financing over other sources is that it usually generates more cash up front.

Auction mechanisms are often used to sell land in developing countries, which lack systematic land valuations. Some countries use land parcel auctions as a standard element in land management. Land auction data are not widely available—but three recent large transactions illustrate the revenue potential of land auctions:

- In Cairo, in 2007, the auction of 3,100 hectares of desert land for a new town generated \$3.12 billion—an amount 117 times greater than the country’s total urban property tax collections, and about a tenth the size of national government revenue. The proceeds were to be used to reimburse costs of internal infrastructure and build a connecting highway to Cairo’s ring road.
- In Mumbai, in 2006–07, the auction of 13 hectares of land in the new financial center—Bandra-Kurla Complex—generated \$1.2 billion. That was more than 10 times the total 2005 fiscal spending of the Mumbai Metropolitan Regional Development Authority, and 6 times the total value of municipal bonds issued by all urban local bodies and local utilities in India in more than a decade.³ The proceeds were to be used primarily in financing projects identified by the Metropolitan Transportation Plan.
- In Istanbul, in 2007, the auction of an old bus station and government building generated \$1.5 billion—more than the city’s total 2005 fiscal expenditures and infrastructure investments.

Source: World Bank. 2013. *Planning, Connecting and Financing Cities*. Washington.

4.4 Mobilisation and use of exogenous resources

National programs need to address key issues in this area: the mandate of local governments to enter into partnerships, and their capacity to manage them once undertaken, is often limited; restrictions on local government borrowing, while necessary, should not involve onerous transactions costs to establish eligibility to borrow; instruments to enable small local governments to borrow (e.g. pooled lending) and to require banks and/or DFIs able to successfully administer such loans; and restrictions on, and transaction costs of, accessing capital markets (e.g. by issuing bonds). The key principles applying to the two major streams of exogenous finance are set out below.

Loan financing instruments

Local governments should be encouraged to borrow for capex up to a prudent debt ceiling set as a proportion of their stable cashflow base.²⁶ Lending, particularly to small or unproven local governments, can be facilitated by a number of instruments – ‘intercepts’ of national block transfers, ‘pledging’ of a proportion of stable cashflows (such as property tax), and the ‘pooling’ of local governments to provide joint and several liability for repayment..

Transition from current practice – There is a need to change the paradigm from characterising local government as an unreliable borrower, to one which has a clear objective of developing sound local government finance systems and responsible managers of debt. For example in China, many local governments are theoretically not allowed to borrow.²⁷ Realistic debt ceilings need to be established and government agencies tasked with determining such ceilings and monitoring compliance with standards set – and adequately resourced to do so. Facilitation of local government borrowing has been done through a number of mechanisms or instruments – specialist DFIs such as the Town Development Board in Nepal, ‘intercepts’ of national block transfers as in the Philippines, as can the ‘pledging’ of a proportion of stable cashflows (such as property tax) as in the US, and ‘pooled lending’ to local governments as in Tamil Nadu India (by the TNUDF). Consideration should be given to establishing such mechanisms.

Instruments of capital market finance

Local governments, particularly larger ones, should also be encouraged to go to the capital markets to fund capex. Bonds constitute the most common form of capital market instrument used by local governments. The use of appropriate bond funding provides additional depth to the capital markets and flexibility in local government finance.

Transition from current practice – Most local governments have no access to the capital markets. Concerted efforts are needed to eliminate market distortions and reduce transactions costs if local governments, even large local governments, are to successfully access these markets. In India, the FIRE project was in place for 10 years but yielded only 18 bonds raised by 11 local governments. Other government-subsidised (usually loan) programs had cheaper finance and were easier to access. The same circumstances apply in the Philippines, where the Local Government Unit Guarantee Corporation was established to support the issue of bonds by Philippine local government, but few issues have been made. However, even if such ‘crowding out’ were eliminated, the reality is that, for project sizes typically engaged by local governments, the transactions costs of capital market access are higher and, if such financing is an important part of funding, additional incentives such as providing tax-free status for some types of municipal bonds, as in the USA, may be needed..

This being said, in China, India, Indonesia, Malaysia, the Philippines, and Thailand, among others, have successfully fostered urban PPP SPVs which have, in turn, accessed the capital markets (both debt and

²⁶ Borrowing or raising bonds to pay opex is a sign of risky financial management for local governments – opex should be covered preferably by user charges and, if not, by internal revenue generation.

²⁷ Some are allowed to issue bonds and others do borrow through subsidiary companies and provide ‘letters of comfort’ – effectively guarantees – to banks.

equity). These projects have mostly been confined to larger (\$50 million or more) public transport, water supply/ waste water, and expressway projects, undertaken by, or with strong support from (as in China), and to larger cities (over 1 million typically). These projects have tapped both local and international capital markets for long term funding derived from such institutions as pension funds and life insurance companies. In the Philippines, a more proactive approach to attracting institutional funds has enabled the government to leverage larger scale finance (see Box). But, in no country, including countries such as Australia which was a pioneer in the field, have such processes matured to a state where they could be considered routine and efficient. New hybrid instruments are also being trialled. As discussed above, Chicago has established its own Infrastructure Trust to structure and leverage private sector investment.

Box 13. Philippine Investment Alliance for Infrastructure Fund (Philippines)

The Philippine Investment Alliance for Infrastructure (PINAI) fund is an unlisted fund dedicated to investing in core infrastructure assets in the Philippines. The fund concept arose from efforts by the Government of the Philippines to find ways to catalyse private sector investment in infrastructure.

Historically, infrastructure investors have predominantly focused on the „safer“ less risky developed economies of Europe, North America and Australia. The PINAI fund provides an example of how a fund can be set up with government involvement to help attract institutional investment in the much needed investment areas of the emerging economies.

The fund was formed in a reverse order compared with most other infrastructure funds, with the cornerstone investors firstly coming together before the selection was made for an appropriate manager for the fund. Three cornerstone investors make up the fund, the Government Service Insurance System fund (making up half of the fund) the Asian Development Bank and the Dutch pension fund asset manager, APG. After a thorough manager selection process, Macquarie Infrastructure and Real Assets (MIRA) was selected to manage the fund and will also provide equity into the fund. The total size of the fund is \$625 million.

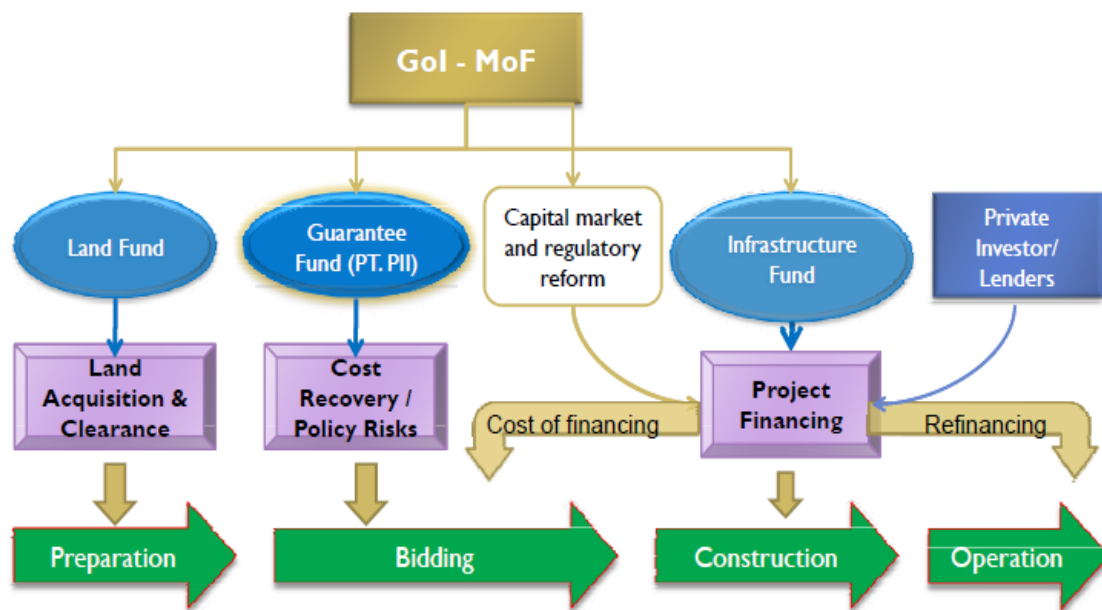
A unique aspect of the PINAI fund is the close relationship between the manager and its investors because of the small number of parties. The investors in PINAI have a good understanding of market conditions and investment climate, which makes it easier to communicate with each other. While the investors have no formal role in management, mutual sharing of market information and insights greatly assists the sourcing, evaluation, and management of PINAI's investments. The structure of the Fund is shown below.

Source: OECD. 2014. *Pooling of Institutional Investors' Capital*. Paris.

4.5 Special issues in relation to infrastructure finance

Principles and programs focused on the need to build institutions to address issues specifically related to financing infrastructure. It is necessary to recognise that infrastructure is a long life asset that goes through a number of phases throughout its lifecycle; that it is a multi-stakeholder asset that requires institutions capable of working with and through this range of stakeholders to achieve successful financing; and that it is not necessary for the government to own an asset to ensure it delivers the service efficiently and equitably.

Issues such as financing project development, land acquisition, resettlement among others need to be squarely faced and an integrated system of finance accessible to local governments needs to be developed. In more developed markets such as Korea, much of the finance can be raised from the capital markets either through cities issuing bonds or structuring PPP projects, but in countries where the capital market is still developing special funding arrangements may be needed. Indonesia provides a good example of a funding system designed to address the specific issues of infrastructure provision, and to leverage private sector finance – see diagram.



Source: ADB Working Paper 20: Subnational Finance for Infrastructure 2012

5 The Role of Development Partners

Given above analysis how should the international community structure its support?

In general, the focus of support needs to be on establishing the enabling frameworks for resource mobilisation and for capital market development, and to the strengthening of local capacity in resource mobilisation and in accessing the capital markets, through:

- Provision of 'pilot funding'
- Using that funding to 'leverage' public and private resources for investment at the city level
- Capacity development in all the above areas at both national, state/ provincial and local government levels.

Examples of Support Programs

At the national policy level, work on national urban finance strategies and, in the context of these strategies, on inter-governmental fiscal transfers and the access of, and incentives for, local government access to the capital markets, constitute priority areas of focus. Assistance in developing national policy frameworks, local government legislation and revenue sharing legislation, and land legislation and titling are key. Also important are national government financing mechanisms which support cities in the funding of their priority infrastructure and capacity development needs (see below).

Urban projects effectively catering to cities needs have to be flexible enough to encompass the variation in infrastructure needs across cities, the variety of governance arrangements required by differing circumstances of urban areas (both in capacity and in jurisdictions and levels of government involved), and in levels of capacity development needed. Even within one city, these factors apply and mean that each project will often have a different approach to design and governance. To this end, at the national level, urban projects are increasingly structured as differing varieties of 'funds' which cities can tap according to their needs or, within a city, according to local priorities.

International assistance can assist in designing, helping structure and capitalise such funds in coalition with donors or with the private sector. It is important that international support recognise that finance is required not just for the investment itself but for project preparation, project implementation technical assistance, and/or capacity development for financial management and the structuring of capital investment funding – including PPPs.

Both the Asian Development Bank (ADB) (2012) and the World Bank (2013) have recently revised their urban policies to emphasize the importance of sustainability and economic development. The Inter-American Development Bank (IDB) has established an Emerging and Sustainable Cities Initiative in order to develop plans promoting sustainability in the Latin American region. All these institutions are orienting their lending programs towards the promotion of sustainable development.

The governments of the United Kingdom (DfID), Switzerland (SECO) and the United States (USAID) have recently joined Germany (BMZ/GIZ) in focusing on, and funding support to, sustainable urbanisation. All these economies have a strong policy orientation towards support for private initiatives and economic development. Japan is supporting its Environmentally Sustainable Cities Program through its Ministry of the Environment and the Future Cities Program, mainly through its Ministry of Foreign Affairs. The aid program of the Australian Department of Foreign Affairs and Trade is considering such a focus. The Global Environment Fund and Global Green Growth Institute are also addressing urbanisation and provide seed technical assistance, particularly to support strategy development.

But very few of these initiatives explicitly target urban finance. Three programs which do are:

- World Bank: Municipal Finances Training Program. <http://einstitute.worldbank.org/ei/course/municipal-finances-learning-program-local-governments>
- UNCDF: United Nations Capital Development Fund. Works in Least Develop Countries promoting inclusive finance for citizens and local development finance. <http://www.uncdf.org/>
- UN-HABITAT: Urban Economy Branch/ Municipal Finance Network (In preparation). Focuses on endogenous sources of finance such as property taxes, land value capture, public assess, and other sources of finance, and coordinates with local governments. <http://unhabitat.org/>

As the UNHabitat program is further developed, it is suggested that issues of engagement with national policy for sub-sovereign development finance, detailed in this report, be given significant emphasis.

Issues in the supervision and monitoring of urban activities

Urban projects are complex, reflecting the reality of urban areas. Supervision requires significant staff input and detailed tracking of impacts will require the dedication of significant funds to monitoring and evaluation. Urban PPP projects are even more resource intensive, necessitated by the need to maintain transparency and accountability in a complex multi-stakeholder context. Such issues constitute another reason to associate with other development assistance agencies, in particular multi-laterals.

6 Conclusion

In conclusion it must be emphasised that, to strengthen global urban financing processes, there is a pressing need for:

1. Clear acknowledgement of, and systems to support, the economic primacy of cities at the national level and commitment to appropriately finance urban development so as to achieve sustainable development of the urban economy.
2. Coordinated action – summarised in Section 4 above – to build effective institutions for service delivery, supporting to these institutions' capacity for planning and finance, and for maximising the integration and efficiency of such planning and finance, including actions to provide incentives for best use of both own-source revenue and transfers, and for leveraging of private sector in funding and efficient use of assets. This coordinated action must consider financial functions at both metropolitan and local levels.
3. Support from the International Community to build a global city network fostering best practice in the above areas so as to maximise the contribution of urban economies to sustainable national and global growth.

In terms of action, the key areas and principles for action have been set out in Section 4 above. The key areas of focus should be:

- Improved governance structures, matching revenue mobilisation and service provision mandates;
- Governance that captures the advantages of metropolitan-scale finance and cooperative economic planning while preserving local responsiveness;
- Improvement of own source revenue at the local level;
- Better systems for fiscal and asset management;
- More effective use of transfers and better leveraging of funding resources from the local capital market; and
- More effective systems of infrastructure finance.

The international community should give priority to assisting national governments in building the institutions that can carry out these actions.

EXPERT GROUP MEETING
THE ROLE OF METROPOLITAN DEVELOPMENT
IN SUPPORTING THE NEW URBAN AGENDA

Guadalajara (Mexico) 3-4 December 2015

With the collaboration of:



Agencia Andaluza de Cooperación Internacional para el Desarrollo
CONSEJERÍA DE IGUALDAD Y POLÍTICAS SOCIALES



**ANNEXE III: BACKGROUND PAPER - BACKGROUND PAPER ON METROPOLITAN
PLANNING**

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Introduction

Metropolitan areas expanding at high rates as a result of population growth and wealth generation creating mega cities and mega city regions (Ortiz, 2014; UN-Habitat, 2008). This expansion or explosion of metropolis have been a concern among various nations worlds wide especially when it is characterized by poor planning. This expansion has been to some extent invasive or intrusive like a 'ruptured reservoir' resulting in disruption of rural livelihoods and uptake of rich agricultural land (Mackaye, 1990). A study of 14 megacities in Asia showed that although the inner-city populations of those cities were not growing as rapidly as in the past, the populations have actually been expanding rapidly at the edges of the megacities and taking over cities, towns, villages, and other rural settlements to form mega-urban regions (Choe & Laquian, 2008). Urban spatial patterns in China, on the other hand, has led to formation of city regions that are contributing to much of the economic growth experienced by the country in recent years (UN-habitat, 2008). Metropolitan expansion that is not guided by planning results in slum formations, inadequate infrastructure provision; and unsustainable expansion lacking an urban structure.

In addition there is emergence of mega-regions - megacities are extending beyond their administrative boundaries and integrating their hinterlands to become expansive city-regions. The population of China's Hong Kong-Shenzen-Guangzhou mega-region, for example, is about 120 million, and it is estimated that Japan's Tokyo- Nagoya-Osaka-Kyoto-Kobe mega-region is likely to host 60 million by 2015. In Brazil, the mega-region that stretches from São Paulo to Rio de Janeiro is home to 43 million people. (UN-Habitat, 2010)

Various cities have used several mechanisms to control migrations to cities in the past. In Asia, some of these strategies have included a household registration (*hukou*) system strictly controlled rural-urban migration and limited access to jobs, housing, and other benefits to bona fide urban residents in the People's Republic of China (PRC) and Viet Nam. Metropolitan plans in Bangladesh, India, and Pakistan used greenbelts in an effort to confine urban growth within specified zones (Choe & Laquian, 2008). Massachusetts proposed to use a series of topographical features like mountain crest lines, escarpments, swamps and beaches to control metropolitan expansion (Mackaye, 1990). Metropolitan regions should focus on planning for urbanization instead of controlling it. Governments should focus on shaping the patterns of urbanization to ensure that it results in well-functioning and environmentally sustainable cities. (OECD, 2015) Proper planning assist cities to manage growth by design, through preventative or curative strategies; the timing of visioning, forecasting, plan-making, and implementation are all important to the success of city strategies (UN-Habitat, 2008).

Comprehensive approaches are necessary, and these must be integrated. Urban development is certainly one of these, and urban physical planning presents a prerequisite to the fullest economic and social progress. Planning on a regional scale may help guide both urbanization and industrialization and provide a common meeting ground for linking local physical planning and national economic planning.

Challenges in metropolitan Planning

Metropolitan areas facing extraordinary challenges in harmonizing and linking planning, policies, infrastructure and service delivery (including transportation, water and sanitation, energy, employment and training provision, housing) within a single economic zone that comprises different municipal jurisdictions. Metropolitan region expands often beyond municipal boundaries, creating jurisdictional

challenges on who plans for these overlapping areas. In some developing Countries, metropolitan areas are crippled by inertia, unable to coordinate their land use policies or plan for strategic investments. (World Bank, 2013)

This is especially the case in metropolitan regions in developing countries where cities are expanding informally and losing their urban structure. There are few tools to guide urban planners to manage this metropolitan 'explosion.' Metropolitan regions continue to grow amidst a welter of government authorities that are not well organized to deal with it either functionally or jurisdictionally. If means are not available for placing the needs of the metropolitan areas as a territorial unit in their proper context and for dealing with them in an integrated fashion, then even the best intentioned efforts and the most eloquent exhortations are not likely to deliver much impact. Institutional arrangements made at the national level to deal with problems of urbanization and metropolitan planning and development are not sufficient to guide metropolitan development.

There is growing recognition that professional disciplines working independently are not sufficient to bring about effective coordinated metropolitan development. In addition there is limited dialogue between planners at the local, metropolitan, regional and national authorities.

Urbanization Trends

The number of people living in urban areas (3.42 billion) by the middle of 2009, had exceeded those living in rural areas (3.41 billion) and global trends show that the world is becoming more urban than rural. The World's 21 megacities, each with at least 10 million inhabitants, accounted for 9.4 per cent of the world urban population, and 4.7 per cent of the World Population, an indication about one in every twenty people on Earth live in megacities. Before 1975 the World had just three megacities: New York, Tokyo and Mexico City. The number has since increased significantly with most megacities arising in developing countries. In 2009, Asia had 11 megacities, Latin America had four, and Africa, Europe and Northern America had two each. By 2025, when the number of megacities is expected to reach 29, Asia would have gained another five, Latin America two, and Africa one. This will account for 10.3 per cent of the world urban population

The most populous urban agglomeration Tokyo, the capital of Japan with a population estimated at 36.5 million in 2009. Tokyo is more populous than several Countries, if it were a country, it would rank 35th in population size. Tokyo is a megacity with an urban agglomeration that comprises not only Tokyo but a fusion of 87 surrounding cities and towns, including Yokohama, Kawasaki and Chiba. Large cities in their own right

Other World megacities included Delhi in India with 22 million inhabitants, São Paulo in Brazil and Bombay in India, each with 20 million inhabitants. Mexico City in Mexico and New York-Newark in the United States of America, each have a population of about 19 million inhabitants. In Africa Cairo in Egypt have 11 million inhabitants while Lagos in Nigeria has a population of 10 million. In Europe, and the two megacities are Paris in France and Moscow in the Russian Federation, each with about 10.5 million inhabitants. Megacities will register a slight increase of population. The populations of 9 of the 21 megacities documented 2009 are expected to grow at rates between 0.02 - 0.51 per cent per year for the period of 2009-2025. The megacities with these slow rates of population growth include all those located in developed countries (France, Japan, the Russian Federation and the United States) and also the four megacities in Latin America. In Africa and Asia it is expected that there will be higher rates of growth in Lagos in Nigeria, Dhaka in Bangladesh and Karachi in Pakistan (above 2 per cent per year). In addition, the megacities in India (Delhi, Calcutta and Bombay) and Manila in the Philippines are expected to grow considerably faster than those in China, Egypt or Turkey.

Projected growth of metropolises show that in 2025, Tokyo will remain the world's most populous urban agglomeration, with 37 million inhabitants, but its population will scarcely increase. Delhi will reach with 29 million inhabitants and Mumbai 26 million. São Paulo in Brazil, is expected to reach 22 million inhabitants, a slight increase from its population in 2009. Dhaka in Bangladesh will reach 21 million, which is a tremendous increase of 46 per cent increase since 2009.

Megacities will register a slight increase of population. The populations of 9 of the 21 megacities documented 2009 are expected to grow at rates between 0.02 - 0.51 per cent per year for the period of 2009-2025. The megacities with these slow rates of population growth include all those located in developed countries (France, Japan, the Russian Federation and the United States) and also the four megacities in Latin America. In Africa and Asia it is expected that there will be higher rates of growth in Lagos in Nigeria, Dhaka in Bangladesh and Karachi in Pakistan (above 2 per cent per year). In addition, the megacities in India (Delhi, Calcutta and Bombay) and Manila in the Philippines are expected to grow considerably faster than those in China, Egypt or Turkey.

(UN DESA, 2009)

UN-Habitat's Mandate on Metropolitan Planning

Proposed Sustainable Development Goals

Planning of metropolitan areas is in line with **Goal 11** to "Make cities and human settlements inclusive, safe, resilient and sustainable," and more specifically **Target 11.2**: "by 2030, provide access to safe, affordable, accessible and sustainable transport systems for all....." **Target 11.a** "Support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning," and **Target 11.3**: "by 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries."

Habitat II Agenda (1996)

The Habitat Agenda clearly includes the metropolitan areas as a level of action (see paragraphs 44, 45, 185 and 186). Para 101, the Habitat Agenda recognizes that “sustainable development will depend very largely on the capacity of urban and metropolitan areas to manage the production and consumption patterns and the transport and waste disposal systems needed to preserve the environment. “

Paragraphs 185 and 186 (See Box 2) are specifically dedicated to the metropolitan planning and management: the Agenda recognizes the unique problems that managers of metropolitan areas and mega-cities face, caused by the size and complexity of their tasks and responsibilities (paragraph 185) and proposes a series of action-oriented recommendations (paragraph 186.)

RIO+20 – The future we want (2012)

The Rio+20 Outcome Document “The Future We Want” explicitly recognizes the role of metropolitan development in paragraph 136: “We emphasize the importance of increasing the number of metropolitan regions, cities and towns that are implementing policies for sustainable urban planning and design in order to respond effectively to the expected growth of urban populations in the coming decades. We note that sustainable urban planning benefits from the involvement of multiple stakeholders as well as from full use of information and sex-disaggregated data, including on demographic trends, income distribution and informal settlements. We recognize the important role of municipal governments in setting a vision for sustainable cities, from the initiation of city planning through to revitalization of older cities and neighbourhoods, including by adopting energy efficiency programmes in building management and developing sustainable, locally appropriate transport systems. We further recognize the importance of mixed-use planning and of encouraging non-motorized mobility, including by promoting pedestrian and cycling infrastructures.”

International Guidelines on Urban and Territorial Planning (2015)

In April 2015, the UN-Habitat Governing Council approved the International Guidelines on Urban and Territorial Planning (Resolution 25/L5). The Resolution calls upon “international financial institutions, development agencies, and UN-Habitat to assist interested member States in using and adapting the Guidelines to their territorial and national contexts, where appropriate, and further developing tools and monitoring indicators”. The Guidelines are a source of inspiration and a global reference framework that will act as a compass for decision makers and urban professionals while developing urban and territorial planning frameworks.

Box 2: Metropolitan planning and management

185. Although the managers of human settlements face many common challenges, those responsible for the management and development of metropolitan areas and mega-cities face unique problems caused by the size and complexity of their tasks and responsibilities. Among the characteristics of metropolitan areas that require special skills are increasing global competitiveness; their ethnically and culturally diverse populations; large concentrations of urban poverty; extensive infrastructure networks and transport and communications systems; their strategic role in national, regional and international production and consumption patterns; economic development, trade and finance; and their potential for severe environmental degradation. Large metropolitan areas and mega-cities also represent the largest potential risks of human, material and production-capacity loss in the case of natural and human-made disasters. In some countries, the lack of a metropolitan-wide authority or effective metropolitan-wide cooperation creates difficulties in urban management.

Actions: 186. To address the special needs of metropolitan areas and the needs of all people living in those areas, Governments at the appropriate level, including local authorities, should:

- (a) Promote metropolitan-wide and/or regional planning, development and management strategies that address all aspects of urban activities in an integrated manner and that are based on agreed outcomes for the metropolitan area;
 - (b) Incorporate a gender perspective in policy, planning and management strategies;
 - (c) Adopt and apply metropolitan management guidelines in the areas of land, environment and infrastructural management, as well as finance and administration;
 - (d) Monitor and analyse the effectiveness and efficiency of metropolitan structures and administrative systems and incorporate the results in policies for dealing with macroeconomic, social and environmental issues;
 - (e) Create a legislative framework and adopt organizational structures that ensure coordinated, efficient and equitable service delivery, resource mobilization and sustainable development throughout metropolitan areas;
 - (f) Strengthen, as appropriate, the capacity and mandates of metropolitan authorities to deal effectively with, or respond to, issues of regional and national importance, such as land and property rights of women, land management, energy and water resources management, environmental management, transport and communications, trade and finance, adequate social services and infrastructure and access to them, and social integration;
 - (g) Develop or, where necessary, create a core of professional staff that includes women, trained in the areas of urban planning, environmental management, engineering, transportation, communications, social services, development of primary infrastructure, and emergency planning, and with the skills to work together to address major planning issues in an integrated way;
 - (h) Facilitate and promote policy dialogue, both nationally and internationally, and the exchange of experience, expertise, know-how and technology among metropolitan authorities in such areas as transport and communications, water management and waste-water treatment, waste management, energy conservation, environmental management, and social welfare that recognizes women and marginalized groups;
 - (i) Look for value-driven solutions to urban problems that extend out of ethnically and culturally diverse populations, rather than relying on new technologies alone.
- (Habitat Agenda, 1996)

Rationale for Engagement

The metropolitan topic is becoming every time more important to UN-Habitat's work because of:

- The growing number of metropolitan regions and the global trend towards "metropolization".
- The economic and population weights of metropolitan regions in countries and their potential to be levers of change towards poverty reduction and sustainable urban development.
- The complexity of this scale of action, as it centres around multi-level governance challenges: local, regional and central governments are de facto involved in metropolitan management.
- The interest for metropolitan thematic is rapidly growing worldwide and many international institutions are developing their related expertise and strategic interventions.
- Responses to the complexity have not been developed yet in a satisfactory manner for developing countries and there is an emerging demand from partners and countries.
- Global agendas such as the Post-2015 development agenda (2015) and the New Urban Agenda (2016) will be implemented at the national and local levels, including the metropolitan level which is one of the key and relevant scales of action.

Metropolitan Development

While planners have developed capacity to plan for cities and towns, they are faced with the problem of exploding expansion of metropolis that requires a complex coordination mechanisms to effectively plan for. Metropolitan development calls for integration of three key elements: planning, governance and economic issues. The successful development of metropolitan regions requires coordination of social, economic and governance aspects of development that is integrated to national, regional and local development.

It is important to recognize that planning cannot decide the location of economic activities, but it can influence their location. The question is to what extent? (Petit & Gordon, 2015) Planners can influence the spatial structure of cities, but indirectly. In the long run market forces are building cities, with constraints of city regulations, taxation and opportunities provided by new investments. While spatial plans can play a significant role in creation of new economic space, urban spatial structures are shaped by market forces interacting with regulations, primary infrastructure investments and taxes. Planners have to make use of the latter to influence the spatial structure (Bertaud, 2004). Spatial structures can influence economic development even at the regional scale. In particular, the presence of large metropolitan areas enhances agglomeration economies and consumption benefits. (Bertaud, 2004; Brezzi & Veneri, 2015)

Spatial plans can influence location of new investments, bring better connectivity, create nodes of business areas, and upgrade old economic zones, which can be important factor in influencing spatial concentrations of economic development. Spatial plans have to create conducive environment for economic growth within the metropolitan region. This would for instance include the location of the workforce through strategic real estate investment, accessibility, and appropriate infrastructure.

One of the governance challenges affecting metropolitan planning is that the administrative boundaries of metropolitan regions do not often correspond with the contemporary patterns of human settlement and economic activities. Incorporating governance structures that take today's realities in metropolitan areas can ensure effective functioning of metropolitan areas (OECD, 2015).

UN-Habitat is advocating for a three prong approach that places emphasis on urban legislation, urban planning and design, and urban finance and economy. These correspond to the first three focus areas of the UN-Habitat strategic plan for 2014–2019, and they can be seen as the levers for transforming cities and human settlements into centres of greater environmental, economic and social sustainability. The approach focuses on encompassing robust urban design, firmly and fairly implemented urban regulation and realistic, well-managed municipal financing.

Planning for metropolitan development

UN-Habitat supports countries to develop urban planning methods and systems to address current urbanization challenges such as population growth, urban sprawl, poverty, inequality, pollution, congestion, as well as urban biodiversity, urban mobility and energy, by promoting its vision at the national, regional and metropolitan scales, to achieve more compact, better integrated and connected cities which are socially inclusive and resilient to climate change. These are the five principles of UN-Habitat, which represent a more crosscutting and diversified approach to the universal components of the city.

The dynamism of metropolitan expansion has necessitated the implementation of new, diverse and complex strategies to address its complex spatial configurations like polycentric regions, urban corridors or twin cities. Physical considerations must be recognized in establishing national policies, programmes and budgets for regional and metropolitan development. This approaches outlines in this section takes cognizance of the fact that while metropolitan growth is universal across the World, the spatial structures differ, and there is no universal approach to development or planning of metropolitan areas that is applicable to all situations. Indeed different urban spatial organizations perform differently; some may be favourable to public transport while others maybe unfavourable. In addition there is no spatial structure that would be considered as optimal (Bertaud, 2004) There are significant differences in causes, challenges, governance systems and resource capability of various countries. While a developed country may be focused on urban renewal, and reducing congestions, a developing country may be focused on mass migration of unskilled labour, slums, sprawl and availability of resources.

In order for metropolitan growth to contribute to sustainable development, the key pillars of physical, socio, and environmental issues should be integrated. Planning of metropolitan regions should address some of the following questions (Salet et al, 2003):

- How can regional economies be organized to meet competitive conditions of national and international connectedness?
- How can environmental qualities be balanced in a regional context;
- How can structural spatial inequality be prevented?
- How can socio-cultural identities be established or re-established?

The section below discusses diverse approaches that have been applied to contribute to metropolitan planning. These approaches are not necessarily fundamentally different, but may have cross-cutting elements.

Metropolitan Planning for Clustered Growth

Metropolitan planning should be geared to influence economic development in the metropolitan region. One approach to ensure economic vibrancy within the region through distribution of spatial clusters in the whole region to increase specialization, interaction, cooperation and competitiveness. Cities can achieve more green economy outcomes through efficiencies and shared infrastructure, rather than duplication. Green economic development can be achieved through the development of green clusters and green jobs (UN-Habitat 2012b). Clusters are defined as geographic concentrations of interconnected companies, specialized suppliers, service suppliers, firms in related industries firms, and associated institutions (universities, standard agencies, and trade associations) in particular fields that compete but also cooperate. (Porter, 1998). Clusters are designed to take advantage of agglomeration benefits. Inter-industry linkages and search for external economies bring industries together into complexes. This in turn creates a demand for directly supporting services like insurance, accounting, research and repair, which in turn promote additional new investment and growth of other specialized administrative services.

How does spatial planning impact upon cluster formation? Planning is supposed to create the conditions of agglomeration and the existence of markets. Cities should be strategic in creating these clusters, for instance strategic location of key entities like real estate, universities and industries. Lack of land use interventions can create significant inefficiencies in industrial, commercial and residential locations. Land use is one of the main factors influencing the location of industries in the metropolitan regions (Chakravorty et al, 2003). Their location should ensure interaction, integration and linkages to form *clusters of cooperation*. Clustering of small businesses from different economic activities can form a significant economic development cluster. These businesses benefit from shared infrastructure and related services and may appear to have greater competitiveness. It also encourages specialization and also networking. The businesses have agglomeration benefits as a result of jointly creating demand and supply as opposed to what one or few firms can deliver.

In addition to concentration of businesses and industries, clusters should be located strategically to universities or research institutions as '*knowledge areas*' to ensure that the companies benefit from research, knowledge and laboratories within these institutions. In the city of Helsinki, these have been referred to as 'organised' public-led innovation concentrations, where new knowledge is incubated and innovations arise. A spatially balanced and well-planned city offers a sufficiently well-organized structure for firms (Petit & Gordon, 2015). Clustered development can lead to: Provision of urban infrastructure and services provided in an integrated manner across the whole metropolitan regions rather than for individual cities, towns, villages, and rural areas; better opportunities for attracting private sector participation in area-wide development projects, with a focus to those involving urban infrastructure and services; joint financing mechanisms and resource mobilization to develop the metropolitan regions; integrated approach in dealing with urban problems, such as environmental pollution that cut across the metropolitan region; and integrated development for both urban and rural areas. (Choe & Laquian, 2008)

A study in the city of Helsinki showed that the five key ingredients to successful clusters are: spatial accessibility, international development, regional cost differences, city-regional land prices and land-use density levels that affect traffic flows and accessibility as well as access to development plots. All these elements can be influenced by planning processes. Planning can promote economic development through clustered development by creating conducive environment for new developments; improving existing economic zones, designating future areas of development, providing the necessary infrastructure to ensure efficient accessibility, designating zones for future housing, provide efficient transport, and ensuring connectivity through efficient data transfer/ fibre connectivity.

Approaches towards Spatial/territorial Cohesion

This approach seeks to create a better balance between City Regions through a balanced distribution of human activities. This can be undertaken through polycentric process of development, integrated planning, coordinating territorial approach and impacts of sectorial policies, vertical coordination and cooperation between territories. Territorial cohesion approach also focus on the territorial diversity to make use of the territorial potential of regions with emphasis on rural regions (Copus & Philomena, 2014). Metropolitan regions have potential for creating cohesion between them and their hinterland. Metropolitan and rural areas can partner to join forces in project-oriented co-operation on the basis of mutual benefit, to create competitiveness. (OECD, 2013)

Nuremberg Metropolitan Region

The NMR has a historical identity as a polycentric region, where urban centres are distributed throughout the whole regional territory, and where rural areas are considered just as important as urban areas. The Nuremberg Metropolitan Region has an approach that ensures that rural and urban areas issues are equally considered, ensuring less competition and more cooperation. The rural-urban partnership within the region ensures developing projects that strengthen intra-regional collaboration and identity.

The region is able to bring the municipalities together and to guide their decisions, since individual municipalities cannot undertake regional planning one their own. The links between rural and urban areas in common economic activities are mainly associated with agriculture and food production. The region has implemented successful projects involving over 300 stakeholders to enhance the region's appeal. These include Bayreuth Bioenergy Region, Integrated Public Transport System, Cluster project on Nuremberg Metropolitan Region Medical Valley and trade fairs. The partnership has active participation of different sectors, public, private and academic.

The co-operation made for a successful strategy in building cohesiveness and cultivating trust and identity. It has also brought a diverse group of actors together, ensured there was no overlap between state and municipal responsibilities, (such as spatial planning or service provision), while at the same time maximized the potential to improve the delivery of services in the metropolitan region; and helped build trust.

(OECD, 2013)

Planned City Extensions

The expansion of mega-cities and metropolis is putting pressure on peri - urban land as a result in increased land prices, increased speculation resulting in urban sprawl. Sprawled development poses inefficiency and increased cost in provision of services and infrastructure. This results in inability to

meet the growing demand for urban services, formation of slums in the peripheries, high commuting costs and fatigue among the commuters. UN-Habitat is advocating for planned city extensions that fulfil the 5 D's of compact development (density, diversity, design, destinations, and distance to public transport). Planned Properly managed and appropriately applied, compaction efforts can positively enhance the quality of life of the city dweller and also promote a green economy and sustainable urban settlements (UN-Habitat, 2012).

Metropolis should create expansion and densification plans that will guide the cities to accommodate the expected future growth in a sustainable way. These plans should provide for a rational urban structure geared at minimizing transport and service delivery costs, optimizing the use of land, and supporting the protection and organization of urban open spaces. The densification initiatives include suburban densification, area redevelopment, layout of new areas with higher densities, in fills, brownfield development, building conversions and transit-oriented developments.

UN-Habitat's work on City extensions is supported by GC resolution HSP/GC/25/L.9 that advocates for: "sustainable development, while encouraging planned, productive and integrated city growth, to ensure sustainable mobility, public spaces including green spaces, urban regeneration and in fills in order to contain urban sprawl, promoting access to affordable, reliable and sustainable modern energy services and energy efficiency, reduced environmental impacts of rural urban convergences and mitigate and adapt to climate change, reducing air pollution while also promoting urban health and enhancing national and local authorities capacity to provide basic services."

Planned urban extensions in the Cairo Metropolitan Area

Cairo is one of the Megacities in Africa, with a population of 11 million inhabitants (UN DESA, 2009). Cairo region, including Cairo, Giza, and Qaliobeya governorates, consists of 25 per cent of Egypt's total population. In 1977, the Government of Egypt, introduced a New Urban Communities and Settlements Programme to counter urban sprawl and rise of informal settlements. The project targets 20 towns Countrywide, including 8 New Towns in the desert area at the outskirts of Greater Cairo. Vast public investments were made to develop the urban infrastructure – roads, electricity, water, sewers, public spaces and street furniture.

New Urban Communities around greater Cairo experienced an average growth rate of 10.7 per cent per year from 1996 to 2006, as compared to the surrounding villages and small towns that had a growth rate of 2 per cent, and that of the main agglomeration (1.7 per cent). However, the current populations of New Urban Communities are still below the original targets. This is partly as a result of failure to adopt mixed use policies and non-diversified housing.

Some of the lessons from Cairo's City extensions project are that securing accessibility is critical in attracting people; city extensions can yield higher returns in public investments than slum upgrading projects; the neighbourhoods need social mechanisms to make them vibrant in addition to infrastructure investments; and affordability of housing is critical.

(UN-Habitat, 2012).

Metropolitan Reticular Matrix Planning

This approach to metropolitan planning is also referred to as 'CT' planning. The approach first applied to the Madrid Metropolitan Plan in 1996 and has now been applied to many other metropolises subsequently. The methodology has been applied by the World Bank for strategic analysis of rapidly growing metropolises, allowing for both long term development vision as well as short term decision making for structural projects. (Ortiz, 2014)

The Metro Matrix model proposes the planning of metropolis through grid geometry to shape the spatial structure of the metropolitan landscape, with a fusion of the green and grey infrastructure. The grid structure has been proved valid and useful in the development of large and small cities all around the globe and through all periods of time. It provides a functional, cohesive and readable city and optimizes on space and infrastructure (UN-Habitat, 2015).

The model produces design models for a metropolitan city through metropolitan architecture that merges the metropolitan landscape with its topographical constraints, peri-urban agriculture and environmental systems and the mobility system, real estate and industry on the other hand. (Contin et al, 2014)

The model proposes a scale of 1:50,000 when dealing with metropolitan or regional planning to ensure an integrative and synthetical approach. It advocates for a balanced urban development that integrates the five systems of metropolitan planning: The environment, transport, residential, social facilities and productive facilities. (Ortiz, 2014)

Strategic Spatial Plans

City regions often have master plans. While master plans are important in guiding the development of a city for long periods of over 10 years, they could be supported by strategic spatial plans that focus on incorporating strategic development policies that the city region could use in the short term. This takes into cognizance that cities are dynamic and are constantly changing, and these changes should be reflected in dynamic strategic plans to guide the implementation of the master plans.

Master Plan: City of Helsinki's Strategic Spatial Plan

It is a spatial development strategy for the city-region and consists of a set of development policies and a spatial planning framework. It analyses the future of the city-region and its development needs and presents a Vision of the city-region's future principles for spatial development over the next three decades. It is prepared once per Council term, every four years, to guide the implementation of the City's master plan. The rationale for preparing this strategic spatial plan is because; changes occurring in the community are fast and have an impact on the vitality and land use of the city. It will manage its development in the future and where new investment will be located.

The strategic spatial plan involves key strategic issues like: integration with the city region, strengthening of the city centre, maintaining social unity and safe neighbourhoods, modeling a compact city, improving the environment and reducing sprawl. It has a polycentric city region to maintain a better balance regionally. The plans also focus on location of clusters of business concentration. The Helsinki city-region's key clusters are Information and Communication Technology (ICT), some 21 % of Helsinki's workforce, Knowledge-Intensive Business Services (KIBS) (20 %), logistics (9 %), tourism (11 %), design-intensive sectors (2 %), construction and real estate operations (4 %), and health and welfare cluster (5 %).

(Petit & Gordon, 2015)

Development Corridors and Transit Oriented Development

Urban corridors are characterized by linear systems of urban spaces linked through transportation networks that are often linked to a number of megacities or metropolis, encompassing their hinterlands. (UN-Habitat, 2010) Effective, integrated corridor-level planning can encourage the momentum of market activity between nodes along the corridor and stimulate interaction between them, thus augmenting and diversifying development and other opportunities within the metropolitan region. Infrastructure is a key factor for growth of cities.

This approach to metropolitan planning leverages on the unique opportunities provided by access to high quality efficient transportation. Efficient transport networks are an essential ingredient in ensuring connectivity, and linkages between the metropolitan areas and the surrounding regions. Transit Oriented Development (TOD) is focused on ensuring adoption of transit-supportive land use regulations and achievement of the broader greenhouse gas (GHG) emission reduction and transportation, water, and energy efficiency goals. The approach is based on the premise that there is a strong nexus between transit, land use, and sustainability. TOD's should focus on enhancing connectivity between regions, economic growth, and community development.

The key aim of TOD's is to ensure that people live close to their work places, encouraging walking and biking, rather than driving. This in turn reduces the amount of time and money spent on travel, which have positive economic and environmental impacts. The plans encourage mixed use development to ensure that housing, work places, recreation areas are well interconnected. (Finkenbinder et al, 2010) Transit lines are viewed as giving the function of creating networks, rather than individual transit lines. It is through the networks or nodes they create that the region is closely knit together in a vast array of neighbourhoods, destinations and centres. These networks can support diverse and complementary mixed-income and transit-accessible neighbourhoods.

Transit Oriented Development examines land use patterns, density, and urban form to find innovative solutions to challenges like housing, carbon emissions reductions, agriculture preservation, and regional economic development. This can be undertaken through an integrated regional planning process based on growth scenarios that connect growth with transportation investments and the environment on a regional scale. TOD's incorporate both public and private investments.

Melbourne Growth Corridor – Managing Melbourne's Growth

The four growth corridors identified will constitute half of Melbourne's new housing, and future supply of industrial land for 30-40 years. The corridors have diverse scale, landscape, heritage, bio-diversity and varying growth potential. The Growth Areas Authority has developed growth corridor plans provide strategic framework for planning for communities in each of these growth corridors. This includes provision of housing, employment, facilities and services, sustainable transport, healthy environment and social amenities.

The plans aim to create diverse and vibrant new urban communities, integrate transport and land use planning, plan for local employment creation, Protect biodiversity, waterways and cultural heritage values, create integrated network of open spaces, ensure efficient and orderly provision of infrastructure and services, and ensure environmental sustainability.

The plans will identify areas of high environmental or landscape value, natural features or open space to be protected and preserved. The plans will also indicate the likely strategic transport infrastructure that will be sufficient to support urban development within the corridors. In addition the plans will identify, areas suitable for urban development, the location of future residential districts, industrial, recreational and employment areas and open space networks. The plans also identify the locations for future Major and Principal Town Centres for future development (MTC s & PTC s). The plans further identify regional infrastructure networks including, in particular, the water and sewage infrastructure required to enable development within the corridors.

(Growth Areas Authority. 2012)

Metropolitan Council Livable Communities Demonstration Account (Twin Cities, Minnesota)

The Metropolitan Council, or Met Council in the State of Minnesota is pursuing an aggressive expansion of the regional light rail network, including the opening of the first light rail transit in 2004 connecting Minneapolis - Minneapolis Saint Paul Airport within the North – South Corridor.

The TOD model in Minnesota has established a fund to support projects that demonstrate innovative approaches aimed at achieving connected, efficient land-use patterns in communities throughout the region. These include development of land use in centers linked to the local and regional transportation systems; efficiently connecting housing, jobs, retail centers and civic uses; conservation, protection and enhancement of natural resources, to ensure that development is sensitive to the environment.

These funds have assisted updating of the local land use plans, preservation of affordable housing, investment in station area infrastructure improvements, off-setting the cost of higher density development, acquisition of key sites for TOD and support to bicycling and walking activities.

(Finkenbinder et al, 2010)

Regional Planning Approach – City Region Planning

City region is a concept used by economists and urban planners to denote a metropolitan area and its hinterland, usually divided administratively but with shared resources and markets. The city-regional scale plays a significant role for business in organising supply chains and accessing producer services. The City region is therefore an important functional entity. UN-Habitat's Urban Patterns for a Green Economy defines a City region as the area in which the connections between one or more cities and the surrounding rural land are functionally (economically, socially, politically and geographically) connected, comprising typically 80-100 km length and 10,000 sqm area.

The concept of megalopolis is also linked with the city region. It was first examined in detail by the Scottish geographer Patrick Geddes in his 1915 book *Cities in Evolution*. Geddes describes the megalopolis as a "city-region", a chain of interlinked urban or metropolitan areas. The direct relation between metropolis and megalopolis (city-region) provides evidence of the different scales of both concepts, being the city-region's dimension larger than the metropolis. From another perspective, it could be claimed that the concept of metropolitan area is a political-institutional construction, while city-regions are technical constructs that relate to organization of flows, supplies and services on a broader regional scale.

The main objectives of planning at the city region scale are to ensure rebalancing the economic development between the various parts of the region, which tends to mean more polycentrism in practice. The rationale for City region planning is that future development of cities has a functional influence beyond the city boundaries and therefore it's imperative to plan for the region as a whole. Planning at the City region scale also ensures linkages between urban and rural areas.

If not controlled, the city region can expand in form of sprawl with low density housing with high transportation cost and high greenhouse gas emission. Densification and containment of the city region structure could make use of development corridors and a polycentric structure across the whole city-

region. These could be linked to the central region and to each other through sufficient infrastructure to ensure interaction and linkages. This can also build on the clustering approach to ensure diversification within the city region.

Greater Manchester Statutory City Region

The Manchester City Region encompassed fifteen local government districts: the cities of Manchester and Salford plus the metropolitan boroughs of Stockport, Tameside, Trafford, Bolton, Bury, Oldham, Rochdale and Wigan, together with the borough's of High Peak, Warrington and the former boroughs of Congleton, Macclesfield and Vale Royal.

The Manchester City Region consists of a mix of high value and high performing economic centres and the surrounding regions. There exist social and economic disparities within the regions; that the spatial policy of the Manchester City Region aims to address. The key strategic principles that underpin the spatial policy framework and ensure its focus on achieving the vision for the City Region are: Close the economic productivity gap; Ensure that housing supply supports and contributes to economic growth; and Improve the connectivity of the City Region.

The spatial framework for the City Region is intended to facilitate an overall increase in the economic performance of the whole City Region with an aim of ensuring a balanced approach to growth and development throughout the City Region. The framework aims at building the region's existing assets and addressing issues that limit growth in some areas, such as high levels of unemployment, low levels of skills, an unsuitable supply of housing, transport congestion and unattractive environments. The framework seeks to align spatial, housing, economic, and transport policies with investment decisions in order to bring development forward in a coherent manner.

(Manchester Enterprises Research Team, 2007)

Polycentric Approaches to Regional Planning

Metropolitan cities have been expanding in the last decades and their spheres of influence have regionalized, extending beyond traditional administrative boundaries and, as a consequence, there is emergence of new or pre-existing centres coalescing within the functional metropolitan region (Brezzi & Veneri, 2015). Many city regions increasingly display polycentric characteristics; in addition, dominantly monocentric cities tend to become less monocentric. However, it does not mean that every city is now tending toward a low density extremely polycentric model (Bertaud, 2004).

Polycentric regions are characterized by clustering and existence of a set of urban centres; interaction among centres and centre specialization (UN-Habitat 2015b). City regional planning approaches could be focused on clustering of these polycentres to create competitiveness - some kind of clustered approach to planning. Polycentric centres create linkages between constituent parts of polycentric urban regions which in turn assist in creating agglomeration economies for all parts concerned on a higher level than can be achieved by the individual parts. They form polycentric urban networks.

Polycentric growth has been encouraged as a city region planning strategy to counteract urban sprawl, but also to promote balanced development across a particular territory and may help reduce regional disparities (Haindl & Hirschler, 2008). Polycentric metropolitan regions are often hypothesized to derive important competitive advantages from offering a better balance between economies and

diseconomies of scale than their monocentric counterparts. The contribution of polycentrism to environmental sustainability relates to encouraging compact growth and reducing unlimited sprawl. (Lambrechts, 2009) A study by OECD revealed that relatively more monocentric regions have higher GDP per capita than their more polycentric counterparts, although at country level, polycentricity is associated with higher GDP per capita (Brezzi & Veneri, 2015). Polycentric regions also have the advantages of having greater agglomeration economies for businesses, functional specialization as a result of complementary interaction between centres, and it may result in improved spatial diversity (UN-Habitat, 2012b).

However the model has been criticized that it increases commuting distances. It has also challenges in that cities have to sacrifice certain interests for the greater regional good. A regional framework of cooperation or coordination is important to manage these trade-offs. The polycentric approach should be applied in specific spatial scales, and should be more informed on the possible implications in economic and environmental respects.

Key Ingredients of metropolitan planning

Land: A Key Ingredient to Metropolitan Planning

One of the obstacles to sustainable urbanization is inadequate land policies leading to inefficiency in the use and exchange of land. Another factor that hinders development in urban areas is a lack of coordination between land use and infrastructure planning. In addition metropolitan development is adversely affected where developers avoid paying taxes, take advantage of concealed land values to make enormous profits and distort land use and constrain economic and infrastructure expansion. Studies in Morocco, Algeria, Lebanon and India indicated that difficulty of access to land as a major business constraint (World Bank, 2013). This is especially the case in peri-urban areas, where developers take advantage of low taxes and weak tax regulation systems to hike the value of land (Sietchiping et al, 2014). High prices of land may also limit infrastructure and industrial expansion because land is not easily accessible.

To reduce these inefficiencies, land use planning should be complemented by effective land valuation and land use should be allocated in a way that it can accommodate infrastructure improvements like water, energy, and sanitation. The World Bank points out that the key to efficient land use lies in the price of land. There should be robust systems to assess land values that are based on transparency and accessible information (World Bank, 2013). Integration of transport infrastructure in land use is essential. A study in Manila showed that residents travelled longer distances to their destinations for work, school, or leisure, with one of the factors being segregated land uses. (Urban land Institute, 2013). Optimum densities should be planned for to ensure that available infrastructure is not stretched, and on the other hand infrastructure is not underused.

Land administration systems in peri-urban areas should be strengthened to cover issues such as land valuation and taxation, zoning, change of use and sustainable sub-division of land. There should be clear land use policies to support rural-urban land use conversion to support planned city expansion. (Sietchiping et al, 2014) Metropolitan land use plans should also focus on conservation of peri-urban

agricultural land through concentrating housing in infill sites or parcels adjacent to existing development.

Housing: A Key Ingredient to Metropolitan Planning

Developing a housing strategy at the metropolitan scale is essential in identifying a suitable spatial distribution of affordable housing across the region to share the region's demand for low- and moderate-income housing. Metropolitan regions should have robust housing options that support mixed use, mixed incomes, that are integrated to other land use and that reduce travel distance to work places. Metropolitan housing strategies should involve undertaking assessments and forecasts of city region housing demands, addressing the demands of recent and emerging housing, planning housing distribution, and developing optimum densities and neighbourhoods. These strategies should be integrated to other metropolitan planning and economic processes to exploit competitive advantages and put in place the required strategic infrastructure to sustain metropolitan development. Lack of appropriate housing strategies could resort to formation of informal settlements and distort the social-cultural integration of metropolitan areas.

Infrastructure: A Key Ingredient to Metropolitan Planning

Infrastructure is a critical ingredient in ensuring metropolitan cities are well connected between them, with other cities and satellites and also with the hinterland. Infrastructure investments expose cities to new economic opportunities and are critical in facilitating mobility and connectivity, which is essential to sustain vibrant city economy. Lack of efficient transport and communication hampers productivity and competitiveness of industries and other economic ventures. Unreliable energy limits industrial expansion; moreover, high cost of energy increases costs of production, reducing competitiveness. In addition, lack of basic urban services like water and sanitation leads to deterioration of living conditions and informal settlements.

Infrastructure that extends at the scale of the urban or broader metropolitan region yields the highest payoff for economic growth. In particular, transport infrastructure ensures efficient flow of people, goods and services and efficient markets and is the backbone of an efficient city system (World Bank, 2011). For instance urban development corridors designed around major transport networks. UN-Habitat has advocated for better connected cities. Connected cities gain from complementariness in their production structures and service structures.

It's critical to ensure that infrastructure development is integrated to land use planning. One of the reasons would be to ensure that residential areas are located in close proximity to work places to reduce travel distances, environmental pollution and travel fatigue (World Bank, 2013).

The Social- environmental considerations for metropolitan planning

Social inclusiveness is a key component to achieve sustainable regional development. Inclusive areas foster diversity and social acceptance, while promoting rich multicultural patterns that improve livelihoods and contribute to generate the "image of the region". At the metropolitan scale, social inclusiveness comprises the integration and mix of different income groups, gender and ethnicities in the various areas within the metropolitan region. Physical borders such as infrastructures, lack of connectivity between developments, industrial areas with no mixed use, derelict areas and inadequately planned corridors split regions and generate social imbalances.

In order to achieve social inclusiveness, the metropolitan spatial planning tools should provide physical and social infrastructure that ensures connectivity, adequate facilities and an ample range of affordable housing typologies for the different income groups. The reduction of physical borders between different areas is crucial to ensure accessibility of different groups from different areas of the region to jobs, housing and services. The Metropolitan Strategy document, as a long term future vision of the city, should establish the objectives for equity, liveability, social inclusion, appropriate social infrastructure and services, healthy, safe and inclusive places and protection of areas with special social, cultural and community value.

Strategies to achieve social equity include social impact assessments for new infrastructure and industrial developments, social inclusion as the target of urban renewals, mainstreaming the needs of vulnerable groups, enhancing participatory approaches to metropolitan planning, and promoting cultural activities.

Recommendations

- The approach to metropolitan planning should be comprehensive to ensure that it integrates planning policies, infrastructure and environment. The provision of food in cities and metropolitan regions has also become of critical importance as cities expand to agricultural potential land. Recreational facilities for populations living in metropolitan regions calls for reservation of undefined 'green areas' and patches of trips of land.
- Planning consideration should also encompass provision of services that are out of reach for the small local authorities located in the metropolitan regions. These include large-scale housing projects, infrastructure, water and sanitation, and energy.
- Planning of metropolitan areas should be based on statistical and other information concerning the economic, social and physical structure of a metropolitan area. This should be supported by adequate multi-skilled personnel. However lack of such comprehensive data should not be a hindrance to metropolitan planning and development. At the onset, preliminary plans, at least in schematic/conceptual form outlining more urgent objectives can be prepared and periodically reviewed and revised as the statistical and research services improve.
- Metropolitan planning should aim at achieving more compact, better integrated and connected cities which are socially inclusive and resilient to climate change.

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Key Issues of Discussion

1. What are the key issues affecting metropolitan areas? Climate change? Rapid expansion? Social impact of development?
2. Can metropolitan planning be approached the same way as that of urban design, urban planning? Do the approaches differ with the size of cities? If they differ what are the differences? What are the available planning models that can be adopted for planning of metropolitan regions? What are the precepts of planning for metropolis? Who is involved?
3. What are the tools/ new innovative development models required for dealing with the unique challenges that are emerging for planning metropolitan regions?
4. What are the 21st Century responses to promote sustainable expansion of cities? What is the model for the millennium/ 21st Century metropolis?
5. How can investment of infrastructure be made more efficient? Planning/ Infrastructure vs Governance?
6. What is the new model of city expansion? City Extensions? Polycentrism vs compacity? Which is the way to go?
7. Planning of clusters? It is well known, but not always accepted, that planning cannot decide where economic activities will locate. Is possible to influence its location, especially by planning, the question is to what extent? How does spatial planning impact upon this process?
8. Land at the centre of metropolitan planning? What are the determinants of land that should be considered in metropolitan planning?
9. Best Practices: which cities have been effective in planning for metropolitan regions?

EXPERT GROUP MEETING
THE ROLE OF METROPOLITAN DEVELOPMENT
IN SUPPORTING THE NEW URBAN AGENDA

Guadalajara (Mexico) 3-4 December 2015

With the collaboration of:



Agencia Andaluza de Cooperación Internacional para el Desarrollo
CONSEJERÍA DE IGUALDAD Y POLÍTICAS SOCIALES



Cámara Mexicana de la
Industria de la Construcción

JALISCO
GOBIERNO DEL ESTADO



- **CONCEPT NOTE**
- **PROGRAMME**
- **GUIDELINES**
- **LIST OF PARTICIPANTS AND BIOGRAPHIES**
- **LOGISTIC NOTE**
- **ANNEXES**

VENUE:

CMICJALISCO - Lerdo de Tejada 2151, col. Americana, Guadalajara, Jalisco, México.

CONCEPT NOTE

BACKGROUND

METROPOLITAN REGIONS AS THE NEW NORMAL

Continued urbanization around the world - and natural population growth – are creating larger cities and local economic areas, particularly in developing countries. The cities that are currently experiencing 5% or higher rates of growth will expand two-fold every 14 years, which means that a city would have to rebuild itself every 14 years. With improved transportation, people are able to commute over longer distances from villages or towns to larger urban areas, and with current communication technology advances the functional economic areas are becoming larger. As a result, cities are becoming increasingly economically interdependent with their surrounding settlements and rural areas, constituting what we call metropolitan areas or regions (MR), city-regions, or extended urban regions – each a single economy and labor market, a community with common interests and benefits of some joint actions. The economic links between the core and the periphery may become so close that one part cannot succeed without the other, and thus they are perceived and behave as a single entity. Inter-dependencies characterizes the formation and emergence of a metropolitan area.

The jurisdictional boundaries of local governments tend to have a long history, but the urban growth often change an area's character over time. Therefore, a metropolitan area usually includes a number of independent local government jurisdictions. A metropolitan area may emerge or be formed either through outbound growth of a city or through a gradual expansion and integration of various “satellite” settlements that at some point form an interdependent, agglomerated metropolitan area (see box 1). As metropolitan areas emerge and grow, the need for metropolitan planning, governance and finance increases. Metropolitan regions usually need some form of institutional arrangements (formal or informal) to coordinate their development or undertake some joint functions for more efficient and equitable service provision and cost sharing, in addition to efforts by each individual local government. A lack of such arrangement tends to reflect missed opportunities.

2

Significant regional differences exist. International experience shows a great diversity of metropolitan models, particularly across Europe and North America (OECD 2006; Slack 2007). In East Asia, China, Japan and South Korea have consolidated metropolitan governments for their larger cities (Yang 2009). Many large cities exist in South Asia, but few effective metropolitan governance approaches have yet emerged¹. Although Latin America is home to many large cities, the frameworks for metropolitan governance in the larger cities are still not fully developed. Sub-Saharan Africa is rapidly urbanizing, but most cities lack effective institutions to govern at metropolitan scale². Where institutional arrangements at local levels are lacking or weak, the main coordination tend to be exercised by regional governments; for example in Lagos State, Nigeria; state governments in India; and in many of the states of Brazil. In Australia, public transport and some other functions usually considered “local”, are managed by the provincial governments.

Metropolitan development and management has therefore to do with the territorial coordination of public policies implemented by various stakeholders. At national or sub-national level, it embraces the setting of metropolitan laws and rules to guide and supervise multi-scale public arrangements and planning, financial and fiscal systems. At metropolitan level, it has to do with daily coordination among municipalities, with upper levels of government and with the society at large, in order to agree upon and operationalize a common vision. Implementing a metropolitan vision requires consensus on the right balance of leadership, financial and fiscal contributions, efficient processes

¹ Well-established metropolitan development authorities exist (e.g. in Delhi and Dhaka), but these tend to focus on investment planning and land/real estate development.

² Yet, there are couples of exceptions such as South Africa, with eight metropolitan municipalities, each covering their respective metropolitan area.

for inter-jurisdictional cooperation, specific arrangement for metropolitan project, including through predictable and transparent partnerships with the private sector and communities.

Box 1: How Do Cities Grow Spatially?

Cities grow spatially in different ways. Figures 1 through 4 illustrate four types of spatial growth of a city or area. In a monocentric structure, a core city is growing outward from a central core, in more-or-less concentric circles over time, with decreasing population densities the farther one gets from the center. Sometime the spatial extension has instead the character of sprawl, with low-density areas expanding in various directions.

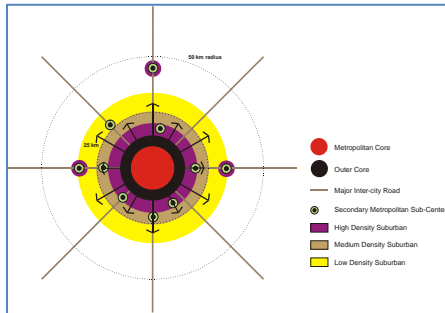


Figure 1 Monocentric Structure

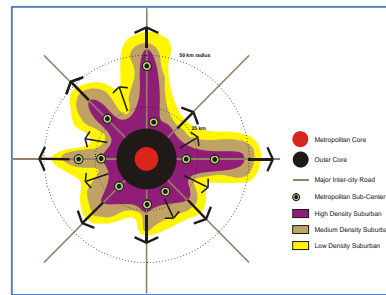


Figure 2 Sprawl

A polycentric structure (figure 3) results from growth that is more a matter of integration of various areas than an outward expansion of a core area. A number of urban sub-centers may exist and grow, and over time become sufficiently close to a main city from a transport perspective, to allow significant business interaction and daily commuting. A polycentric structure tends to evolve toward a multipolar one (figure 4), which is characterized by a core city and various secondary sub-centers, with areas in-between becoming denser in population, forming contiguous urban settlements.

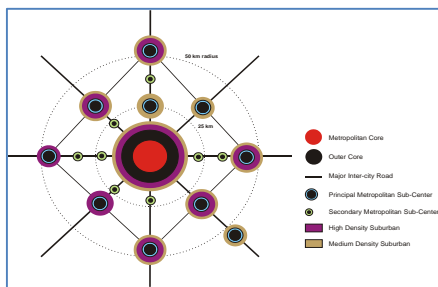


Figure 3 Polycentric Structure

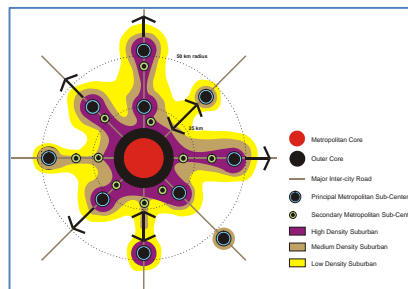


Figure 4 Multipolar Structure

UN-HABITAT'S MANDATE ON METROPOLITAN ISSUES

HABITAT II AGENDA (1996)

The Habitat Agenda clearly includes the metropolitan areas as a level of action (see paragraphs 44, 45, 185 and 186). The Heads of State or Government and the official delegations of countries assembled at Habitat II in Istanbul commit to the strategy of enabling all key actors in the public, private and community sectors to play an effective role -at the national, state/provincial, metropolitan and local levels- in human settlements and shelter development (paragraph 44).

Paragraphs 185 and 186 are specifically dedicated to the metropolitan scale: the Agenda recognizes the unique problems that managers of metropolitan areas and mega-cities face, caused by the size and complexity of their tasks and responsibilities (paragraph 185) and proposes a series of action-oriented recommendations (paragraph 186).

RIO+20 – THE FUTURE WE WANT (2012)

The Rio+20 Outcome Document “The Future We Want” also explicitly recognizes the role of metropolitan development in paragraph 136:

“We emphasize the importance of increasing the number of metropolitan regions, cities and towns that are implementing policies for sustainable urban planning and design in order to respond effectively to the expected growth of urban populations in the coming decades. We note that sustainable urban planning benefits from the involvement of multiple stakeholders as well as from full use of information and sex-disaggregated data, including on demographic trends, income distribution and informal settlements. We recognize the important role of municipal governments in setting a vision for sustainable cities, from the initiation of city planning through to revitalization of older cities and neighbourhoods, including by adopting energy efficiency programmes in building management and developing sustainable, locally appropriate transport systems. We further recognize the importance of mixed-use planning and of encouraging non-motorized mobility, including by promoting pedestrian and cycling infrastructures.”

INTERNATIONAL GUIDELINES ON URBAN AND TERRITORIAL PLANNING (2015)

In April 2015, the UN-Habitat Governing Council approved the International Guidelines on Urban and Territorial Planning (Resolution 25/L5). The Resolution calls upon “international financial institutions, development agencies, and UN-Habitat to assist interested member States in using and adapting the Guidelines to their territorial and national contexts, where appropriate, and further developing tools and monitoring indicators”. The Guidelines are a source of inspiration and a global reference framework that will act as a compass for decision makers and urban professionals while developing urban and territorial planning frameworks.

UN-HABITAT’S ACTIVITIES ON METROPOLITAN ISSUES

RATIONALE FOR ENGAGEMENT

The metropolitan topic is becoming every time more important to UN-Habitat’s work because of:

- The growing number of metropolitan regions and the global trend towards “metropolization”.
- The economic and population weights of metropolitan regions in countries and their potential to be levers of change towards poverty reduction and sustainable urban development.
- The complexity of this scale of action, as it centres around multi-level governance challenges: local, regional and central governments are de facto involved in metropolitan management.
- The interest for metropolitan thematic is rapidly growing worldwide and many international institutions are developing their related expertise and strategic interventions.
- Responses to the complexity have not been developed yet in a satisfactory manner for developing countries and there is an emerging demand from partners and countries.
- Global agendas such as the Post-2015 development agenda (2015) and the New Urban Agenda (2016) will be implemented at the national and local levels, including the metropolitan level which is one of the key and relevant scales of action.

EXPLORING WAYS TO SUPPORT METROPOLITAN GOVERNANCE, PLANNING AND FINANCE

UN-Habitat holds strong and various comparative advantages to position itself at the forefront of the international dialogue and as a key player for supporting national reform processes and building capacities at local level. UN-Habitat articulates its reflection around:

- 5 principles for sound governance at local and metropolitan scale: Sustainable, Efficient, Equitable, Accountable, Pro- citizen engagement
- 5 qualifiers for adequate regional, metropolitan and city-planning: More Compact, Better Integrated, Better Connected, Socially Inclusive, Resilient to Climate Change.

Currently, UN-Habitat is engaged in:

- Country level: providing advisory services and technical assistance on metropolitan planning, financing and governance in Brazil (Sao Paulo, Rio de Janeiro), Colombia (Medellin), Mexico (Guadalajara), Egypt (Cairo), Senegal (Dakar) and South Africa (Johannesburg).
- Normative level: (i) Metropolitan Governance/Finance: leading a research with the GIZ for a practice-oriented framework (soon to be published) and that will be followed by development of tools and proposal of advisory services, (ii) Metropolitan Planning: implementing the International Guidelines on Urban and Territorial Planning; developing a database on inspiring practices on metropolitan planning; delivering trainings based on the “Urban Patterns for a Green Economy” publication (series of 4 guides).
- Partnerships and Networks: Building and strengthening partnerships with local and regional governments’ networks such as Metropolis, RESAUD³, UCLG and RAMA⁴.

ALIGNEMENT WITH GLOBAL AGENDAS

2030 GENDA FOR SUSTAINABLE DEVELOPMENT

The proposed Goal 11 on “making cities and human settlements inclusive, safe, resilient and sustainable” of the unfolding Sustainable Development Goals (SDGs) include several targets that are relevant at metropolitan scale. It is worth mentioning the proposed targets 11a and 11b focusing on means of implementation:

“11.a Support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning;

11.b By 2020, increase by [x] per cent the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, develop and implement, in line with the forthcoming Hyogo Framework, holistic disaster risk management at all levels.”

The list of indicators (under selection and refinement) might also strengthen the metropolitan agenda.

5

HABITAT III AND THE NEW URBAN AGENDA

The increasing relevance of the metropolitan scale of action and the variety of institutional arrangements to promote sustainable metropolitan development justifies including this event in the preparation to Habitat III, in order to raise consensus on common features and transforming vectors.

A constellation of actors is gravitating around the metropolitan thematic (Metropolis, FMDV, RAMA, GIZ, WB, IADB, Montreal, Barcelona, etc.) and is very much inclined to influence the New Urban Agenda (NUA) in order to see the metropolitan scale and challenges properly reflected. Some initiatives are already taken in that direction:

- The inclusion of the metropolitan dimension in the Habitat III draft (non) issue papers⁵, specifically under the papers on Urban Governance, Urban and Spatial Planning and Design, Urban-Rural linkages, Urban resilience.
- A specific Habitat III Thematic Conference to be held in Montreal⁶ in October 2015 on Metropolitan Development. The proposed EGM will draw upon the political Declaration and recommendations that is expected out of the Thematic Conference.
- The local governments associations (such as UCLG) are currently consulting their members to prepare their contribution to the New Urban Agenda. There will be a full chapter on Metropolitan regions in the GOLD 4 report (Global Observatory on Local democracy and Decentralization report).

³ Réseau d’Échanges Stratégiques pour une Afrique Urbaine Durable (<http://resaud.net/>)

⁴ Pan-American Network of Metropolitan Areas (<http://unhabitat.org/a-new-pan-american-network-of-metropolises-formed/>)

⁵ First version http://unhabitat.org/wp-content/uploads/2015/04/Habitat-III-Issue-Papers-and-Policy-Units_11-April1.pdf

⁶ Announced by Habitat III Secretary General Dr Joan Clos during Prep Com II in Nairobi, April 2015. http://unhabitat.org/wp-content/uploads/2015/01/Habitat-III-PrepCom-2_Process-Updating-AS-DELIVERED.pdf, confirmed by Mr Denis Coderre Mayor of Montreal http://www.fmdv.net/index.php?id=29&L=2&tx_ttnews%5Btt_news%5D=396&cHash=2f9146784a4fc30a999bdd06f2851bfd

- The third objective and expected result of RAMA is specifically dedicated to informing and influencing the NUA; the network's meeting that will be held in 2015 will contribute to this objective.
- The commitment of metropolitan areas (Abidjan, Dakar, Ouagadougou and Yaoundé) in Africa to work closely with local universities to address selected urban issues under the coordination of UN-Habitat and the University of Montreal (<http://resaud.net/>)

With that said, UN-Habitat in collaboration with the **Andalusia Agency for International Cooperation (AACID)** will organize an Expert Group Meeting (EGM) in order to review current practices, innovations, remaining gaps and explore ways forward for UN-Habitat **to enhance its impact on promoting and supporting sustainable metropolitan management and development.**

The outputs of the EMG will “technically” support the political engagement that will result from 2015 previous meetings and may contribute towards the New Urban Agenda.

In addition, and mostly important as UN-Habitat is now in the process of developing tools and methodologies and to engage further at national level, this EGM will offer the opportunity to **review and assess practices that need to be promoted, instituted and avoided** by governments while elaborating metropolitan arrangements and policies.

Ultimately, this EGM will be an important step to **better position metropolitan development as a thematic and priority focus area within the New Urban Agenda.** It is also a way to prepare ahead in advance the technical and practical **content to be used during the implementation** of the NUA at the metropolitan level.

OBJECTIVES AND STRATEGY

OBJECTIVES

The EGM aims to review and capitalize the main outcomes and lessons learnt from peer experiences and from UN-Habitat's recent engagement with a view to better define UN-Habitat's role and enhance its approach and impact on supporting sustainable metropolitan development and management.

The objectives of the EGM include:

- **To capitalize** from experiences , practices and lessons learnt on metropolitan development;
- **To review** a series of tools and methodologies to guide sustainable metropolitan planning, governance and finance.
- **To consolidate** UN-Habitat's position on metropolitan development to inform the New Urban Agenda and its implementation.

Specific objectives of this EGM include:

1. To identify good practices and tools in metropolitan development and management and extract key lessons to inform the development of frameworks, toolkits and capacity building programmes to support the needs of metropolitan authorities. This will form the basis of a synthesis of trends, policies, tools, innovations and practices that could be promoted by UN-Habitat and development organizations, including through the implementation of the New Urban Agenda.
2. To confront experts' assessments with practitioners and leaders' perspectives with a view to strengthen a network for collaboration between urban practitioners, academia, metropolitan authorities and think tanks engaged on metropolitan development and management.

The relevant experiences and entry points discussed during the EGM will inform UN-Habitat toward the development of framework, toolkit and capacity building programme for sustainable metropolitan patterns.

The following **activities** will be undertaken in preparation and in continuation of the EGM:

PREPARATORY THEMATIC PAPERS

Based on previous research, UN-Habitat's documents and the outcomes of RAMA's meetings and Montreal conference, the three Branches (UPDB, ULLG and UEB) involved are expected to prepare concise reflective reviews on the topics of the EGM. The preliminary findings of the thematic papers will be presented in the meeting and underlie the structuring of presentations, discussions and outcomes. The proposed papers will focus on the following themes:

- **1. Exploring metropolitan planning approaches and instruments.** Identify and review approaches, methodologies, tools and practices that can support metropolitan areas throughout the process of planning and implementation. A strong emphasis will be put on spatial issues and challenges and opportunities in developing countries. A specific attention will be given to challenges and possible solutions related to horizontal (across sectors), vertical (across scales) and temporal integration (across political mandates) of metropolitan plans and strategies.
- **2. Governance approaches.** Review and explore the different institutional models for metropolitan management and the institutional mechanisms that facilitate horizontal and vertical integration at the metropolitan scale. Challenges of the legal and regulatory aspects of metropolitan development will be carefully developed. Ultimately, a specific emphasis on the needs of the metropolitan and local authorities when it comes to determining a metropolitan governance structure in a multilevel governance framework (triggers, incentives and constraints, trade-offs between central and local levels) should be examined.
- **3. Metropolitan development finance.** This covers both the financing of metropolitan development and the management of metropolitan financial resources. The paper will identify the mechanisms to finance and maintain metropolitan infrastructure, explore the role of private sector and review the related instruments and arrangements for sustainable growth. A specific attention will be put on the metropolitan specificity of externalities and savings: "get more with less". The financial and fiscal management should be part of a strong focus of the paper, looking at policies, instruments and innovations to reinforce the metropolitan authorities' means of action.

The EGM will offer an opportunity for preliminary findings and ideas from the papers to be discussed and consensus understanding to be achieved with regards to the topics and recommendations for future work.

In addition, findings of the papers and inputs from participants during the EGM will point to ways forward to reinforcing UN-Habitat's advisory role to national and local governments in promoting sustainable metropolitan development, and recommend areas where focus should be, which niche could be explored in view of remaining gaps and the work of other partners in international development cooperation.

The findings from the thematic papers and the outcomes of the EGM will be organized in a final report summarizing the main innovations, opportunities to be harnessed, principles, guidelines and recommendations for UN-Habitat overall work in the area of metropolitan management and development. It will be structured in a way to inform the UN-Habitat's framework, toolkit and capacity building programme on metropolitan development and management.

Concurrently, on the strategic level, the EGM and its outcomes are aimed at positioning the topic as thematic and priority focus area within UN-Habitat's work and supporting the Habitat III Conference preparatory process. In this sense, the findings of the EGM will form the basis of an "all-in-one" synthesis of trends, tools, innovations and practices on metropolitan development. This synthesis will complement the Montreal political declaration and support the mainstreaming of metropolitan development during the Habitat III preparation. Drawing on the EGM discussions and the synthesis, a position paper will be developed afterwards on the implementation of the New Urban Agenda at the metropolitan level.

METHODOLOGY

The EGM will bring together external expertise to discuss and help UN-Habitat to define principles and policy recommendations for effective development of metropolitan management tools and methodologies.

Different sessions will be organized to discuss the following topics:

- **Metropolitan Finance**
- **Metropolitan Governance**
- **Metropolitan Planning**
- **Remaining gaps and ways forward to reinforcing UN-Habitat's advisory role in metropolitan management and development.**

The proposed structure of sessions is the following:

- A. State-of-the-art background:** Keynote presentations outline the main background information, main challenges, innovations and paradigm changes needed.
- B. Discussants react and add to the keynote presentations:** Discussants will pose questions, comments and share their experience, challenges and progress in different areas related to metropolitan development and management.
- C. Roundtable debate** – all participants react and input to the discussion; a consensus-based understanding is expected with regards to the main topics of the session.

All participants are expected to contribute to the debate and help to identify ways forward for reinforcing UN-Habitat's advisory role in metropolitan management and development.

PROGRAMME

03 December 2015	
	Welcome session
8:00–8:30	Arrival, registration of participants and morning coffee
8:30–9:30	<p>Welcoming and introduction remarks</p> <ul style="list-style-type: none"> • Erik Vittrup, <i>UN-Habitat Representative in Mexico</i> / Marco Kamiya, <i>Leader, Urban Economy and City Finance Unit, UN-Habitat</i>. • Raúl Muñoz, <i>Nicaragua Programme Coordinator, Andalusia Agency of International Cooperation in Nicaragua</i>. • David Gómez Álvarez, <i>Under Secretary of Planning of Jalisco, on behalf of the Governor of the State of Jalisco</i>. <p><i>Participants' introduction round.</i></p>
9:30–11:30	Session 1: Metropolitan Governance
	<ul style="list-style-type: none"> • Erik Vittrup, <i>UN-Habitat Representative in Mexico</i>. Keynote presentation of the main findings of the Thematic Paper 1: Metropolitan Governance. <p><i>Discussants:</i></p> <ul style="list-style-type: none"> • Michel Max Raynaud, <i>Coordinator, Réseau d'Échanges Stratégiques pour une Afrique Urbaine Durable (RESAUD)</i>. • Zheng Jing, <i>Director General, Guangzhou Urban Planning and Design Survey Research Institute</i>. • Verena Maier, <i>Sector Project "Sustainable Development of Metropolitan Regions", German Technical Cooperation Agency (GIZ)</i>. • Daniela Glocker, <i>Urban Policy Unit, Organisation for Economic Co-operation and Development (OECD)</i>. • Nicholas Awortwi, <i>Director of Research, Partnership for African Social and Governance Research (PASGR)</i>. <p><i>Roundtable discussions</i></p> <p><i>Moderator:</i></p> <ul style="list-style-type: none"> • Pedro Ortiz, <i>Senior Urban Planner, World Bank</i>. <p><i>Session Rapporteur: Jackson Kago, Consultant, Regional & Metropolitan Planning Unit, UN-Habitat.</i></p>
11:30–12:00	Coffee Break + Group Photo
12:00–14:00	Session 2: Metropolitan Finance
	<ul style="list-style-type: none"> • Marco Kamiya, <i>Leader, Urban Economy and City Finance Unit, UN-Habitat</i>. Keynote presentation of the main findings of the Thematic Paper 2: Sustainable Finance for Development. <p><i>Discussants:</i></p> <ul style="list-style-type: none"> • Huáscar Eguino, <i>Lead Specialist in Urban Development and Municipal Management, Inter-American Development Bank (IADB)</i>. • Teti Armiami Argo, <i>Researcher, Institute of Technology Bandung (ITB)</i>.

	<ul style="list-style-type: none"> • Camilio Osorio, PhD Student, University of Catalonia. • Eric Huybrechts, Senior Architect & Regional/Urban Planner, International affairs for the Regional & Urban planning Agency of Paris <p><i>Roundtable discussions</i></p> <p><i>Moderator:</i></p> <ul style="list-style-type: none"> • Michel Max Raynaud, Coordinator, Réseau d'Échanges Stratégiques pour une Afrique Urbaine Durable (RESAUD). <p><i>Session Rapporteur: Efren Osorio, Consultant, UN-Habitat Office in Mexico.</i></p>
14:00 – 15:30	Lunch Break
15:30 - 17:30	Session 3: Metropolitan Planning
	<ul style="list-style-type: none"> • Jackson Kago, Consultant, Regional & Metropolitan Planning Unit, UN-Habitat. Keynote presentation of the main findings of the Thematic Paper 3: Metropolitan Planning. <p><i>Discussants:</i></p> <ul style="list-style-type: none"> • Kayom Wilson, Physical Planning Specialist, Ministry of Lands Housing and Urban Development, Uganda. • Pedro Ortiz, Senior Urban Planner at the World Bank, Washington DC. • Teng Xi, Guangzhou Urban Planning and Design Survey Research Institute. • Rahmatouca Sow Dieye, Spatial Planner, Dakar, Senegal. • Carlota Rosés Montesinos, Barcelona Metropolitan Area <p><i>Roundtable discussions</i></p> <p><i>Moderator:</i></p> <ul style="list-style-type: none"> • Verena Maier, Sector Project “Sustainable Development of Metropolitan Regions”, GIZ. <p><i>Session Rapporteur: Joaquin Pardo, Consultant, UN-habitat Office in Spain.</i></p>

04 December 2015	
9:00-10:00	Recap of the previous day
	<p>Contribution from the Rapporteurs and General Discussions</p> <ul style="list-style-type: none"> • Jackson Kago, Regional & Metropolitan Planning Unit, UN-habitat, Rapporteur Session 1. • Efren Osorio, UN-Habitat Office in Mexico, Rapporteur Session 2. • Joaquin Pardo, Consultant, UN-habitat Office in Spain. Rapporteur Session 3. <p>Roundtable discussions</p> <p><i>Moderator:</i></p> <ul style="list-style-type: none"> • Kayom Wilson, Physical Planning Specialist, Ministry of Lands Housing and Urban Development, Uganda.
10:00-11:30	Session 4: Synthesizing key Issues Arising.
	<p>Based on findings, priorities and potential areas for improvement, rapporteurs and experts outline recommendations for UN-Habitat’s future work and the potential contribution of the work to the implementation of the New Urban Agenda.</p> <p><i>Identifying remaining gaps - identification of areas for improvement in the three main thematic areas of Metropolitan Governance, Finance and Planning.</i></p>

	<p>Group Discussions</p> <p><i>Moderator:</i></p> <ul style="list-style-type: none"> • Erik Vittrup, <i>UN-Habitat Representative in Mexico.</i> <p><i>Session Rapporteur: Jackson Kago, Consultant, Regional & Metropolitan Planning Unit, UN-Habitat.</i></p>
11:30-12:00	<i>Coffee break</i>
	Session 5: Wrap-Up Session and Way Forward
12:00-14:00	<p>Wrap-up of the discussions on the three sessions - summary of group discussions.</p> <p>Recommendations and ways forward for Metropolitan development and management Based on findings, priorities and potential areas for improvement, rapporteurs and experts outline recommendations to support the New Urban Agenda and for UN-Habitat’s future work.</p> <p>Guadalajara, Mexico Communiqué on Metropolitan Development:</p> <p><i>Moderator:</i></p> <ul style="list-style-type: none"> • Marco Kamiya, <i>Leader, Urban Economy and City Finance Unit, UN-Habitat.</i> <p><i>Session Rapporteur: Joaquin Pardo, Consultant, UN-habitat Office in Spain.</i></p>
14:00-15:30	Lunch Break
	Closing Session
15:30-17:00	<ul style="list-style-type: none"> • Erik Vittrup, <i>UN-Habitat Representative in Mexico.</i> • David Gómez Álvarez, <i>Under Secretary of Planning of Jalisco, on behalf of the Governor of the State of Jalisco.</i>

GUIDELINES FOR SESSIONS

STRUCTURE AND METHODOLOGY

The Expert Group Meeting will consist of two days of work with 4 sessions and a wrap up session. The meeting will have three main format of delivery – Presentations, Case Studies and Discussants feedback from plenary sessions. The Guidelines are provided below.

A. THEMATIC SESSIONS

In each session (except for Session 4), there will be a presentation of an expert (s), followed by discussants and a plenary discussion among the participants of the session. The 4 sessions are the following:

- **SESSION 1 – Metropolitan Governance**
- **SESSION 2 - Metropolitan Finance**
- **SESSION 3 – Metropolitan Planning**
- **SESSION 4 – Synthesizing key issues arising**

B. FORMAT:

Presentations

The presentations will provide the overall framework of discussion for the session topic: including central concepts and important lessons learned from national efforts, research and international discourse. Such presentations may have a strong theoretical content. The time allocated is 10 minutes. A PowerPoint presentation is optional, and it can focus on comments on the paper, experiences, good practices, actionable ideas and recommendations towards the New Urban Agenda so that it can feed into the Habitat III process. In addition it should align it to the theme and objectives of the EGM. Hand outs are welcome.

Case studies could be included to provide concrete illustration of the topic of the session from a specific regional or city/national context. Most important is to focus on the topic without too much introduction on the city or local context (you may circulate a written text on that if you feel it is particularly important) and to provide in the PowerPoint presentation rich graphic material to illustrate the issue.

A written synopsis, even if subsequent to the meeting and in the form of notes or a simple collection of primary documents, with graphic illustration (maps, plans, details), the relevant planning legislation and regulations and other information related to the extension plans or specific topic discussed in the presentation would also be very useful.

Moderator

Moderator should introduce the purpose of the session, the speakers and moderate the debate (5 min). He/she should also close the session with a short (2min) summary of the basic elements discussed.

Discussants

Discussants will pose questions, comments and share their experience, challenges and progress in different themes. Discussants should review the guidance provided to the participants for the session as well as the abstracts and papers submitted to help the meeting analyze the material presented and start picking out emerging:

- Underlying challenges,
- Gaps,
- Approaches,
- Principles,
- Frameworks,
- Policy approaches,
- Actionable ideas.

They should also highlight lessons emerging from the work and the elements of possible arguments to draw conclusions on the topics presented. Due to their extensive experience in development and in the specific topics, discussants should also be able to warn the meeting of any specific challenge that may not have emerged in the presentations so far.

Rapporteurs

The rapporteurs should be able to pick out the key emerging issues as per the above guidelines.

Roundtable debate

All participants react and input to the discussion; a consensus-based understanding is expected with regards to the main topics of the session.

Key Issues and Guiding Questions

Metropolitan Governance

- Main differences and common features between urban / local and metropolitan governance?
- Regional differences?
- How to converge governance - planning- finance?
- UN-Habitat's added value and entry point?
- Toward the New urban agenda:
 - What have we learnt in the past 20 years?
 - In the recent Montreal Conference?
 - Key messages to convene to Member states and stakeholders for the Habitat III preparations?

Metropolitan Finance

- How can governance structures be improved to match revenue mobilisation and service provision mandates?
- How can metropolitan governance capture the advantages of metropolitan-scale finance and cooperative economic planning while preserving local responsiveness?
- How can own source revenue at the local level be achieved be improved? Assets management, land value capture?
- Which are the better systems for fiscal and asset management? Indicate case studies?
- Are there more effective use of transfers and better leveraging of funding resources from the local capital market?
- Are there more effective systems of infrastructure finance considering national, territorial and local?

Metropolitan Planning

- What are the key issues affecting metropolitan areas? Climate change? Rapid expansion? Social impact of development?

- Can metropolitan planning be approached the same way as that of urban design, urban planning? Do the approaches differ with the size of cities? If they differ what are the differences? What are the available planning models that can be adopted for planning of metropolitan regions? What are the precepts of planning for metropolis? Who is involved?
- What are the tools/ new innovative development models required for dealing with the unique challenges that are emerging for planning metropolitan regions?
- What are the 21st Century responses to promote sustainable expansion of cities? What is the model for the millennium/ 21st Century metropolis?
- How can investment of infrastructure be made more efficient? Planning/ Infrastructure vs Governance?
- What is the new model of city expansion? City Extensions? Polycentrism vs compacity? Which is the way to go?
- Planning of clusters? It is well known, but not always accepted, that planning cannot decide where economic activities will locate. Is possible to influence its location, especially by planning, the question is to what extent? How does spatial planning impact upon this process?
- Land at the centre of metropolitan planning? What are the determinants of land that should be considered in metropolitan planning?
- Best Practices: which cities have been effective in planning for metropolitan regions?

C. LANGUAGES

The meeting will be conducted in English during Day 1 and Day 2 and simultaneous interpretation in Spanish. All documentation are in English.

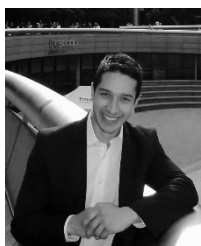
LIST OF PARTICIPANTS AND BIOGRAPHIES

International Experts

1. **Camilo Osorio**, PHD Student, University of Catalonia (Spain).
2. **Carlota Rosés Montesinos**, International Relations and Cooperation, Metropolitan Area Barcelona (Spain).
3. **Daniela Glocker**, Urban Policy Unit, Organisation for Economic Co-operation and Development (OECD)
4. **Eric Huybrechts**, Urban Planner and Visiting Professor, Institut d'Aménagement et d'Urbanisme d'Île-de-France (France)
5. **Huáscar Eguino**, Lead Specialist in Urban Development and Municipal Management, Lead Specialist Municipal Management and Urban Development (IDB)
6. **Kayom Wilson**, Former City manager, Uganda Support to Municipal Infrastructure Development (Uganda)
7. **Louis Roger Manga**, Chief Deputy, Cabinet of the mayor of Dakar (MAETUR) (Senegal)
8. **Mario Silva**, Director, Metropolitan Mobility Area, Guadalajara City Hall (Mexico)
9. **Michel Max Raynaud**, Director of RESAUD Network. Professor, Architect and Urban Planner. Université De Montréal (Canada)
10. **Nicholas Awortwi**, Professor, Partnership for African Asocial and Governance Research
11. **Oliver Meza**, Research & Consultant in Public Policy and Public Affairs, Centro de Investigación y Docencia Económicas (CIDE)
12. **Pedro Ortiz**, International Metropolitan Management and Planning Consultant (Mexico)
13. **Rahmatouca Sow Dieye**, Spatial Planner, Dakar (Senegal)
14. **Raul Muñoz**, Cooperation Program Coordinator in Nicaragua, Andalusian Agency of International Cooperation (Nicaragua)
15. **Ricardo Gutiérrez**, Director, Mexican Planning Institute of Guadalajara (Mexico)
16. **Salvador Herrera Montes**, Technic Secretary, Mexican Association of Municipal Planning Institutes (Mexico)
17. **Teng Xi**, Guangzhou Urban Planning and Design Survey Research Institute (China)
18. **Teti Armiami Argo**, Researcher, Institute of Technology Bandung (ITB)
19. **Verena Maier**, Sector Project “Sustainable Development of Metropolitan Regions”, German Technical Cooperation Agency (GIZ).
20. **Zheng Jing**, Director General, Guangzhou Urban Planning and Design Survey Research Institute (China)

UN-Habitat

21. **Erik Vittrup Christensen**, Representative, UN-Habitat Mexico
22. **Marco Kamiya**, Unit Leader, Urban Economy Branch (Nairobi)
23. **Jackson Kago**, Consultant, Urban Planning and Design Branch (Nairobi)
24. **Efren Osorio**, Consultant and Project Coordinator, UN-Habitat Mexico.
25. **Estefania Villalobos**, Special Assistant to the Regional Director, UN Habitat Regional Office Latin America and the Caribbean (Brazil)
26. **Joaquin Pardo**, Consultant, UN-Habitat Office in Spain



CAMILO OSORIO

[PHD Student, University of Catalonia.](#)

Camilo Osorio is a Colombian architect and urban planner specialized in urban and regional development. He has an extensive and contrasted international experience by having studied and worked in Colombia, Mexico, England, China and Spain, and by having participated in projects for the United States, United Arab Emirates, Syria, Sudan and Brazil. In his career he has been specialized in the development of urban projects with a high social impact, city management, social housing, and recently urban safety with his research 'Soft Frontiers' which explains public space as an inhibitor or facilitator of unsafety by the application of 5 principles: permeability between public and private space, integration and interaction of urban systems, compactness, morphological coherence and urban mix. He has received a scholarship as outstanding student by the Southwestern University of Finance and Economics of China, and received various honors and occupied the first places in the Pontifical Bolivarian University of Colombia, National Autonomous University of Mexico and Polytechnic University of Catalonia. Also, for his professional work in the UK, he has been nominated for the recognition 'Outstanding Colombian Abroad' awarded by COLUK program of the Ministry of Foreign Affairs of Colombia.



CARLOTA ROSÉS MONTESINOS

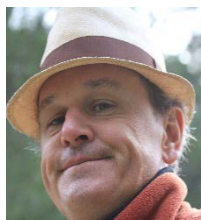
[International Relations and Cooperation, Barcelona Metropolitan Area.](#)

Carlota Rosés Montesinos is currently working in the International Relations and Cooperation department of the Barcelona Metropolitan Area, drawing on her 10 years international experience to help the Barcelona Metropolitan Area achieve its objectives in the international sphere. She specialises in international relations, and in particular the European Union and metropolitan governance. Previously she worked for 6 years at the Barcelona Provincial Council office in Brussels, where she closely followed developments at EU level relevant to the local and city level and participated in a variety of networks and associations of local and regional actors. She has a Master's Degree in International Trade, a Master's Degree in International Relations, and a Political Science Bachelor Degree.

DANIELA GLOCKER

[Urban Policy Unit, Organisation for Economic Co-operation and Development \(OECD\).](#)

Daniela Glocker works as an economist and policy analyst in the Regional Development Policies division of the OECD's Public Governance and Territorial Development Directorate. In her current position Daniela Glocker works on regional development with a particular focus on urban areas. Her work aims at assessing the impact of location-specific and man-made fundamentals, such as governance arrangements, of urban agglomerations on their economic, social and demographic development. In her research, she focuses on how to make cities more liveable, productive and inclusive. Most recently she worked on the OECD's National Housing and Urban Policy of Mexico and a Territorial Review of the metropolitan area Rotterdam-The Hague. Prior to joining the OECD in 2015, Daniela Glocker held researcher positions at the London School of Economics' Centre for Economic Performance and the German Institute for Economic Research (DIW) in Berlin. She graduated with a doctorate in Economics from the Free University Berlin and visited the United Nations' Economic Commission for Europe (UNECE) and the Urban Institute in Washington, DC during her studies. In addition to her policy focused work, Daniela Glocker has published her academic work in peer-reviewed journals.



ERIC HUYBRECHTS

[Urban Planner and Visiting Professor, Institut d'Aménagement et d'Urbanisme d'Île-de-France.](#)

Presently in charge of international Affairs for Paris/Ile-de-France Regional Planning Agency. Large experience in the field of Urban and Regional Planning as Ethiopia National Urban Development Scheme, Bangalore-Mumbai Economic development corridor, Greater

Mumbai Development Plan revision (team leader), planning of Paris/Ile-de-France region (SDRIF team expert), Rio de Janeiro cooperation on city planning and sustainable mobility (team leader), City Master Plan of Phnom Penh (project director), Algiers metropolitan Master plan (co team leader), Regional planning of Damascus (co team leader), Algiers climate change mitigation (expert), Greater Cairo project (expert), Lebanon Coastal management (expert), Beirut public space policy (technical director), Regional park of High Metn/Lebanon (project director), Tripoli-Libya town planning (expert), Urban planning reform of Libya (co team leader), Urban heritage on Istanbul Golden Horn, on Islamic Old Cairo, on Damascus urban heritage (expert), Large structure enhancing projects of large cities for Metropolis association (coordinator) and for Metrex association (expert).

Academic experience as scientific researcher in charge on the Middle East research Urban observatory, scientific director of the Center of research and studies for Contemporary Middle East (now IFPO) and as lecturer in several universities in France and abroad (Canada, Syria, Lebanon, Jordan, Cambodia) and other academic institutions (Ecole des Mines de Paris, Ecole des Ponts et Chaussées, Paris Sorbonne university, Institut français d'urbanisme, Science Po Paris, several Schools of Architecture in Paris, Beirut and Amman).



HUÁSCAR EGUINO

[Lead Specialist in Urban Development and Municipal Management](#), [Lead Specialist Municipal Management and Urban Development \(IDB\)](#).

Huascar Eguino serves as a Lead Specialist in Municipal Management and Urban Development at the Inter-American Development Bank (IDB-Washington DC). His areas of expertise include regional and urban development, fiscal decentralization, municipal management and sub-national financing. He holds a Master Degree in Local and Regional Development (ISS-Holland) and graduate studies on housing and urban development at the Massachusetts Institute of Technology, Harvard University and Pennsylvania University. He has more than 20 years of experience as project manager, having worked in most countries of Latin America. He was recipient of the IDB's Annual Best Team Award for his work in Brazil (Line of Credit for Municipalities PROCIDADES) and Mexico (Program to Strengthen States and Municipalities).

From 2010 to 2014, he worked as coordinator for the urban development sector in Brazil and later as Sector Coordinator for IDB's Sustainable Cities Initiative (SECI). Before joining IDB he was responsible for the design and implementation of public investment policies at the Ministry of Finance in Bolivia. He also was consultant for organizations such as UN-HABITAT and USAID, lecturer and researcher at several academic institutions in Bolivia. He has numerous publications available at <http://www.iadb.org>



KAYOM WILSON

[Former City manager, Uganda Support to Municipal Infrastructure Development](#).

Wilson has a long standing experience in development planning, physical, urban and spatial planning. His key competency areas and work experiences include (1) development planning at both local and national level (2) urban Planning and management, urban design and re-designing; (3) land use planning; (4) Settlement and re-settlement planning; (5) land management; (6) research; (7) report writing; (8) All kinds of spatial planning (industrial, institutional etc). Wilson is currently a final year Doctoral Scholar (Urban Planning) in the Department of Architecture and Physical Planning, Makerere University. His PhD research (SUBMITTED FOR EXAMINATION) focuses on "An analysis of physical planning process in emerging urban centres: A study of Paidha town in Zombo district " (Uganda). This research was motivated by the aggravated physical planning problems that are affecting the growth and development of urban centres generally. It was important to investigate the critical physical planning issues that are affecting the emerging urban centres of the developing countries while taking the practices of Uganda in particular. The rationale was to find out the level of consideration that is given to physical planning in these emerging urban centres which happen to be urbanizing faster than the older ones. Mr. Kayom also holds a Master's of Arts Degree in Land

Use and Regional Development and a Bachelor's Degree in Urban Planning (Hons.) both from Makerere University, Kampala. The combination of land use and urban planning make Mr. Kayom a professionally accomplished person in the field of spatial planning. Given this background, Mr. Kayom has always advocated for physical development plans which are strongly guided by carefully analyzed land use/land capability and/or suitability conditions. Given the multi-disciplinary nature of spatial planning, Wilson had to undertake a number of short courses in the area of physical planning and management.

LOUIS ROGER MANGA

Director General, MATEUR, Cameroon

Financial Economist, graduate in Business Administration

Long experience with Urban Planning and Development in installation and management, technical, financial urban development projects, joint development projects (State, Donors, regional and local authorities, populations, etc.). Expertise in land affairs: Identification and Evaluation, Negotiation, land regularization,

Some other experiences: Nylon in Douala area restructuring, creation of the new towns of South West Yaounde and the North of Douala, relaunching the housing mass production in Cameroon

He is currently: Director of MAETUR (Mission of Development and Facilities of Urban Rural lands) in Cameroon.



MARIO SILVA

Director, Metropolitan Mobility Area, Guadalajara City Hall.

Mario Silva is the Director of Metropolitan Mobility (Guadalajara Metropolitan Area). He is also a Research Professor in issues of sustainable mobility and public transport policies. Mario Silva holds a PhD in Education with emphasis on pedagogical mediation by De La Salle University (Costa Rica). He also holds a Master in State and Local Government and Public Administration from Colegio de Jalisco and BA in International Relations from Instituto Tecnológico y de Estudios Superiores de Occidente. His areas of interest include: public policy on sustainable mobility, fuels and clean technologies, environmental governance and public participation, non-motorized mobility, education for sustainable mobility and policies to discourage the use of automobiles. He has also worked as the Technical Secretary of The Citizen Observatory for Mobility and Public Transport of the State of Jalisco.



MICHEL MAX RAYNAUD

Professor, architect and urban planner. Université de Montréal, Canada. Director of RESAUD: Strategic Exchange Network for a Sustainable Urban Africa (Joint Initiative UN-Habitat-Université de Montréal).

Michel Max Raynaud is an architect and urban planner with a career spanning 35 years and currently is professor at the Université de Montréal, where he teaches urban planning, design and project management.

His fields of Expertise focus on large-scale urban development projects, i.e. management, planning and negotiation with all stakeholders (decisions makers, investors and citizens).

With UN Habitat, he created RESAUD Network, whose mission is to transform academic knowledge into action for African cities. He has also specific expertise in Architectural and urban design history. He was Judicial Expert (Court of Appeal in Paris - France).

Recent activities:

April 2015 - RESAUD invited to PrepCom2/UN Habitat (Nairobi, Kenya):

-Side Event Villes et métropoles d'Afrique au centre du nouvel Agenda urbain.

-Plenary session Speaker « Academic knowledge for the benefit of cities.

October 7, 2015 - RESAUD helped to draft recommendation: The Montreal Declaration on Metropolitan Areas (Thematic Meeting on Metropolitan Areas for Habitat III).



Nicholas Awortwi

[Professor, Partnership for African Social and Governance Research.](#)

Nicholas Awortwi (PhD) is a Development Planner by profession and currently the Director of Research for Partnership for African Social and Governance Research (PASGR), a pan-African organisation based in Nairobi, Kenya that facilitates African social science researchers to produce and communicate high quality policy relevant research that contributes to innovative institutional development for governance, public policy formulation and ultimately inclusive development in Africa. Nicholas is also the founding Director of African Urban Governance Institute (AFRUGI).

Prior to his current position, Nicholas was a Senior Lecturer in Development Management at the International Institute of Social Studies (ISS) of Erasmus University, The Hague, The Netherlands and a visiting senior lecturer at F.H.R Lim A Po School of Public Administration & Governance, Paramaribo in Suriname, and Nsamizi Training Institute of Social Development, Uganda. Over a period of fifteen years in academia, research, and development management, Nicholas has developed technical competencies and professional experience in decentralisation and local governance, urban/municipal planning, finance and management, public-private partnerships in service provision, and social protection.

He has been a leading author of decentralisation and local governance issues in Africa and provided expert analysis and advice to Commonwealth Secretariat, UNCDF, UNDP, and Governments on decentralisation issues in many countries. He has 30 publications on decentralisation, local governance and public management in internationally refereed journals and books.



OLIVER MEZA

[Research & Consultant in Public Policy and Public Affairs, Centro de Investigación y Docencia Económicas \(CIDE\).](#)

Oliver Meza holds a PhD in Public Policy from the Centro de Investigación y Docencia Económicas (CIDE) and Master in Public Administration from the London School of Economics and Political Science (LSE). He is currently a research professor in the Division of Public Administration attached to CIDE Region Center in Aguascalientes. He is a member of the National System of Researchers. He has been a researcher at the Institute for Research on Public Policy and Government (IIPPG) of University of Guadalajara and taught undergraduate and graduate level courses on public policy issues in various educational institutions and other government entities. He has also participated as a guest scholar in the Lyndon B. Johnson School of Public Affairs of the University of Texas at Austin. He has worked as an advisor and consultant for think tanks (Think Public, IMCO, Think Transversal, Jalisco Cómo Vamos), international agencies (UNDP, UN-Habitat) and various entities of municipal and state governments. His research won the award for best doctoral proposal organized by the Bank Information for Applied Research in Social Sciences (BIIACS) and was 2014 winner of 1st place in the contest that is organized each year by the National Institute of Public Administration (INAP). His main research interests focus on public policies of sub-national governments and metropolitan areas.



PEDRO ORTIZ

[International Metropolitan Management and Planning Consultant.](#)

Pedro B. Ortiz is currently a Visiting Professor at Milano Politecnico University (Italy) as well as Senior Urban Consultant for international governments and multilaterals, as the World Bank, European Union, United Nations or the Inter-American Development Bank. He has metropolitan management experience in five continents. He was the founder and Director of the Master for Urban Planning of King Juan Carlos University in Madrid, after being

Director General for Regional Planning and Urbanism of Madrid Region, and Deputy Major for Madrid in charge of Strategic Planning. He made the Strategic Plan of Madrid in 1994 and the Metropolitan Plan in 1996. You can find more about Pedro's work at www.pedrobortiz.com

He addresses the urgent world phenomenon of metropolitan rapid growth in his new book 'The Art of Shaping the Metropolis'. He presents a three-scale methodology for smart metropolitan planning developed first time for the Metropolitan Plan for Madrid: the Metro-Matrix archetype at the metropolitan scale, the Balanced Urban Development unit for the urban scale and the Urban Centrality (POT) at lower scale blending culture, heritage and modernity. Pedro develops a metropolitan form that integrates green and gray infrastructure, moves from the dominant inefficient monocentric model to a polycentric one based on sustainable mass public transport with a polycentric equitable reticular grid pattern. He promotes metropolitan federalism governance to overcome unitary or confederate actual limited practices.



RAHMATOUCA SOW DIEYE
[Spatial Planner, City of Dakar.](#)

RAUL MUÑOZ

[Cooperation Program Coordinator in Nicaragua, Andalusian Agency of International Cooperation in Nicaragua.](#)

Raul Muñoz is an architect and urban planner with extensive experience in planning and coordination of programs and projects of cooperation for development, management and coordination of results-oriented teams and in coordination with public and private actors. His main areas of expertise are occupancy, urban planning and interventions in public spaces and historical heritage. Raul Muñoz is particularly interested in the areas of occupancy and urban development and provision for training and capacity building.

RICARDO GUTIÉRREZ

[Director, Mexican Planning Institute of Guadalajara.](#)

SALVADOR HERRERA MONTES

[Technic Secretary, Mexican Association of Municipal Planning Institutes.](#)

TENG XI

[Guangzhou Urban Planning and Design Survey Research Institute.](#)



Teng Xi is a Senior planner from Guangzhou Urban Planning and Design Survey Research Institute. His main research areas are those related to planning and regulatory frameworks. He holds a Master of Engineering in Urban Design and Planning (2006) from Wuhan University (China).

TETI ARMIATI ARGO

[Researcher, Institute of Technology Bandung \(ITB\).](#)



Teti A Argo, is a senior researcher, specialized in regional and urban planning in Indonesia. She actively engage in understanding the spatial – economic- and environmental connection in the context of regional development. She has involved in conceptualizing the application of Strategic Environmental Assessment, rural – urban linkages, decentralization linked to community participation, community based disaster risk reduction, and strategies for national urban development. For UN Habitat Conference in Quito Columbia, 2016, she has been a part of Indonesia's preparation for Country Report since 2014, and become a Expert Group team for Indonesia delegation for Asia Pacific Urban Forum held in Jakarta, October 2015, and a part of UN-Habitat's Expert Group Meeting: "The role of metropolitan

development in supporting the new urban agenda, writing for the case of Metropolitan Bandung – Indonesia in 2014 - 2015.



VERENA MAIER

[Sector Project, Sustainable Development of Metropolitan Regions GIZ.](#)

Verena Maier is working for the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) advising the German Ministry for Economic Cooperation and Development (BMZ) on the topic of sustainable development of metropolitan regions. Her focus is on urban and metropolitan governance in the field of development cooperation. Within her work she deals with key questions of inter-municipal cooperation and managing rural-urban linkages in order to create inclusive and livable urban areas. She is based in GIZ headquarters in Eschborn, Germany.

Within her previous engagements Verena has been involved in projects from the European Parliament in Brussels and worked for the German Federal Foreign Office in the Latin America department. She studied Governance and Public Policy in Passau, Germany, and Santiago del Estero, Argentina. Verena holds a Masters' degree in Peace and Conflict Studies from Malmö University, Sweden.



ZHENG JING

[Director General, Guangzhou Urban Planning and Design Survey Research Institute.](#)

Zheng Jing is the Deputy Chief Planner of Master Plan Division at Guangzhou Land Resource and Urban Planning Commission. He is interested in the following research areas: regional strategy, policy master planning, as well as environmental protection urban and regional transportation planning. He holds a PhD in Science (1992) from Sun Yet-Sen University (China). Previously, he worked as Deputy Chief Senior Planner for Guangzhou Urban Planning and Design Survey Research Institute (1992-2008). As a Director General, his main responsibilities include formulating, reviewing and amending master planning.



ERIK VITTRUP CHRISTENSEN

[Representative, UN-Habitat Mexico.](#)

Extensive management experience in 25 countries during 20 years with development programs and projects in conflictive environments, having worked within civil society organizations, private and public agencies, inter-governmental agencies and educational and research institutions with special focus on building institutional/human capacity in areas of: Environmental and urban planning, basic health and adult education, Infrastructure development and service management systems, Gender-equity awareness-development, Childhood rights and Adolescents at risk, Livelihood development, Local economic development and income generation, Self-help residential development and physical improvement in impoverished urban neighborhoods. Post-conflict management and reconstruction (post natural disasters as well as post-war situations).



MARCO KAMIYA

[Unit Leader, Urban Economy Branch, UN-Habitat.](#)

Marco Kamiya, is Leader of the Urban Economy and Municipal Finance Unit at the Urban Economy Branch, UN HABITAT headquarters in Kenya. He works globally on urban economy studies and municipal finance in Africa, Asia and Latin America.

He was Senior Manager at CAF Development Bank in Venezuela; Senior Consultant at the Inter-American Development Bank in Washington DC, and Director of International Projects at PADECO Co., Ltd., a global development consultancy firm, in Tokyo, Japan.

He studied Economics in Lima and Tokyo, and International Development at Harvard University. He is co-author of forthcoming UN-HABITAT's World Cities Report 2016, and co-editor of UN-HABITAT handbook "Finance for City Leaders". He has published at CAF and IADB on entrepreneurship, finance, innovation and urban development.

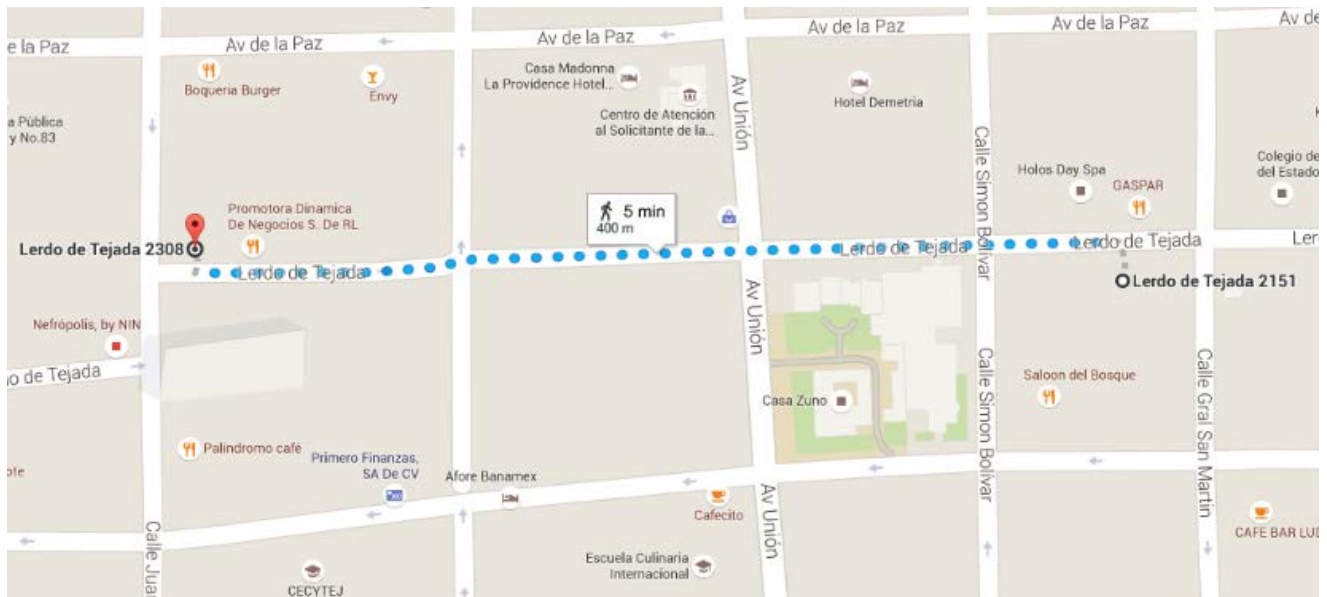


JACKSON KAGO

Consultant, Urban Economy Branch, UN-Habitat.

Mr. Jackson Kago, a Kenyan national, working as a consultant with the Regional & Metropolitan Planning Unit (RMPU), within the Urban Planning and Design Branch, UN-Habitat. He works on the thematic areas of urban-rural linkages, systems of cities, metropolitan and regional planning. He holds two masters degrees: one in Architecture from the University of Rome 'Sapienza' -Italy, and another one in Urban & Regional Planning from the University of Nairobi, Kenya where he also graduated with a Bachelor of Architecture. Jackson has also worked with the Italian Embassy Development Cooperation (2008-2013) as a Technical Assistant supporting the Korogocho Slum Upgrading Programme based at the Ministry of Local Government. He has also worked for UN-Habitat in the past between 2004-2007 as a consultant for the Safer Cities Programme after successfully completing his internship. Jackson also lecturers at Kenyatta University.

LOGISTIC NOTE



ACCOMODATION

CASA FAYETTE

Lerdo de Tejada 2308
Col. Lafayette C.P. 44140
Guadalajara, Jalisco
T : +52 (33) 36792000
<http://casafayette.com/>

The accommodation will be covered by the organization. It will be for a double room with individual use, for the nights of the 2nd, and 3rd (and 4th if needed). Breakfast and meals will be included.

VENUE

CMIC

Lerdo de Tejada 2151
Col. Americana
Guadalajara, Jalisco.
<http://www.cmicjalisco.org/>

PHONE NUMBERS (EMERGENCIES)

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USEFUL INFORMATION

Guadalajara is the capital and largest city of the Mexican state of Jalisco, and the seat of the municipality of Guadalajara. The city is located in the central region of Jalisco in the Western-Pacific area of Mexico. With a population of 1,495,189 it is Mexico's fourth most populous municipality. The Guadalajara Metropolitan Area includes seven adjacent municipalities with a reported population of 4,328,584 in 2009, making it the second most populous metropolitan area in Mexico, behind Mexico City.

How to arrive from Airport: the best option is by taxi. It is located 16 km (10 mi) south of downtown Guadalajara.

Weather Broadcast: minimum and maximum temperatures for the days of the EGM are, 27° C and 12° C (50% humidity).

Language: The Official language is Spanish. In a few commercials establishments people speaks another languages. In the hotels people speaks English.

Currency: The only currency official accepted in Mexico is the Mexican Peso (1 USD = 16,54 Mexican Peso)

Suit: We suggest wear casual for the field EGM.

Proyecto elaborado bajo el Acuerdo de Contribución entre el Programa de las Naciones Unidas para los Asentamientos Humanos (ONU-Habitat) y el Gobierno del Estado de Jalisco.

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